

POLICY RESEARCH WORKING PAPER

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Market Access Advances and Retreats

The Uruguay Round and Beyond

J. Michael Finger
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Uruguay Round negotiations on market access were a success. Tariff cuts covered a larger share of world trade than those of the Kennedy or Tokyo Rounds and will save importers some \$50 billion a year.

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Summary findings

In the Uruguay Round negotiations, trade distorting agricultural policies were taken up substantively for the first time in any round of multilateral trade negotiations. Voluntary export restraints outside the Multifibre Arrangement (MFA) were in fact eliminated.

Developing countries became equal partners with developed countries. Their tariff cuts covered as large a share of imports as those of the developed countries and were deeper. Because developing country tariffs were higher to start with, their cuts will save importers more (per dollar of imports covered) than will cuts by developed countries. Tariff bindings for most developing countries, although often above applied rates, were extended to 90 percent or more of imports.

Few countries agreed to give foreigners *unlimited* market access in services, or full national treatment in more than a few service activities. But developed countries agreed to *some* liberalization of cross-border provision for 70 percent of service activities (compared with 25 percent in developing countries).

Less positively, although trade restrictions on agricultural products were converted to tariffs, border protection was reduced less on agricultural than on industrial products, and there was little agreement on reducing trade-affecting subsidies.

The textiles and clothing agreement binds developed countries to eliminate all MFA-sanctioned restrictions but allows them to largely put off doing so until 2005. Concessions to which developing countries agreed are due now. Reciprocal concessions of particular interest are either due in the future (elimination of the MFA) or yet to be negotiated (liberalization of agricultural trade).

Also disquieting, since the Uruguay Round, developing countries have undertaken antidumping cases at a rate (per dollar of imports) three times higher than that for the United States — mostly against other developing countries.

This paper — a product of Trade, Development Research Group — is part of a larger effort in the group to assess the amount of liberalization which resulted from the Uruguay Round. The research was supported by the Global and Regional Trust Fund component of the World Bank/Netherlands Partnership Program. Copies of the paper are available free from the World Bank, 1818 H Street, NW, Washington, DC 20433. Please contact Lili Tabada, room MC3-333, telephone 202-473-6896, fax 202-522-1159, email address ltabada@worldbank.org. Policy Research Working Papers are also posted on the Web at www.worldbank.org/research/workingpapers. Michael Finger may be contacted at jfinger@worldbank.org. November 1999. (69 pages)

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**MARKET ACCESS ADVANCES AND RETREATS:
THE URUGUAY ROUND AND BEYOND**

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Market Access Advances and Retreats Since the Uruguay Round Agreement

by

J. Michael Finger and Ludger Schuknecht

The Uruguay Round has been justly celebrated for the innovations it represents: coverage extended to services, intellectual property, trade-related investment issues, much greater attention to the rules of trade-policy making and administration, a new and unified organization to administer the agreements. At the same time, the Uruguay Round dealt significantly with the more or less traditional subject of the GATT – market access: tariff cuts as broad in scope as those of any previous round were agreed, policies that affect trade in agricultural products were taken up for the first time, agreement was reached to eliminate restrictions on trade in textiles and clothing under the Multi-Fiber Arrangement.² This paper deals only with market access. In it we present a tally of:

- implementation of market access commitments, i.e., of the agreed removal or reduction of import restrictions and,
- use of various “safeguard” and other measures that the agreement provides that allow a member government to introduce new trade restrictions.

Our report thus has no thesis to advance, it is not an essay, it is a tabulation of the amount of liberalization that has resulted from the Uruguay Round Agreements, and of slippage from that liberalization. Our objective is not to count up to see which part is larger, the agreed liberalization versus the allowed “backsliding.” No doubt, the liberalization has been larger, by several orders of magnitude. Nevertheless, it is important to keep a close watch on the use of allowed backsliding.

Our major findings are the following:

1. Much was achieved. Tariff cuts compare well to the coverage and depth of cuts achieved at the Tokyo and Kennedy Rounds. Agricultural protection was dealt with substantively for the first time, VERs outside of MFA have been phased out. The agreement to remove MFA-based quantitative restrictions on imports of textiles and clothing is of itself a major accomplishment.
2. There has been minimal backsliding, minimal use of the special or general provisions for imposing new restrictions that the various WTO agreements provide. Antidumping is the one exception.
3. Tariff cuts by developing countries were as broad and at the same time, deeper, than those conceded by the developed economies.
4. The major part of what developing economies gave is due now, the major part of what they receive will not be delivered until 2005, or is yet to be negotiated. What they gave (apart from the exchange of tariff cuts) was mainly acceptance of “codes” on major areas of

² We do not review in this paper these “rules” areas of the Uruguay Round agreements. They are taken up in J. Michael Finger and Philip Schuler, “Implementation of Uruguay Round Commitments: The Development Challenge,” World Bank Staff Working Paper, forthcoming.

domestic as well as import regulation/institutions (e.g., intellectual property, technical and sanitary standards, customs valuation, import licensing procedures). What they got in return from the developed economies is MFA elimination – not due until 2005 – trade liberalization and reduction of domestic support on agricultural products – yet to be negotiated. Details are provided below.

1. TARIFF NEGOTIATIONS

At the Uruguay Round, some 130 countries or customs areas made tariff concessions. Within the mechanics of the GATT/WTO, a member makes a concession by submitting to the organization a schedule of commitments, of bound rates. In doing so, the member accepts a legal obligation not to impose a duty on any listed product at a rate higher than the specified bound rate. Its schedule of bound rates defines a member's legal obligations on tariff rates – there was no legal commitment to cut tariffs by a specified amount and thus no “official” measure of the tariff reductions exchanged at the Round.

As the negotiations matured, a frequently mentioned “target” was that developed members should reduce their tariffs by one-third, developing members should reduce theirs by one fourth. The discussion surrounding these targets was not precise, e.g., as to whether the base should be all merchandise imports or only industrial goods, all tariff lines vs. all dutiable tariff lines, or even if the appropriate formula was dT/T or $dT/(1+T)$. Members also engaged in a related discussion of how bindings of unilateral liberalizations would be treated, all of this complicated by an imprecision as to what date should be used to determine the “before” tariff rates.

In Table T1 along with Charts T1 and T2, we summarize our measures of the increase of bindings and the tariff reductions that will result from Uruguay Round commitments.³

INCREASES OF BINDINGS

Expansions of bindings are simple to conceptualize – the amount of some base year's imports that would be covered by the new bindings versus the old. Increased bindings by developing economies are evident from Chart T1. Developing economies sometimes bound tariffs at levels above currently applied rates and some members' tariff concessions consisted of binding tariffs at rates to which they had previously been reduced unilaterally. More information will be provided below both on ceiling bindings and on bindings of unilateral concessions.

TARIFF REDUCTIONS

We find that Uruguay Round commitments by the developing economies to reduce their tariffs compare well with the commitments of the developed economies.

- developing economies' tariff cuts cover approximately the same percentage of imports,
- developing economies' tariff cuts are actually deeper.

³Though we use here the labels “developed” and “developing,” the classification of countries used in these calculations is the World Bank's sorting of countries as either high-income economies (HIES) or low and middle income economies (LMIEs), that includes transition economies. The following footnote provides details of country coverage of the two categories.

Depth of cut⁴

Our calculations of depth of tariff cut depart in two ways from the way that the GATT tariff cuts are traditionally measured. First, GATT tariff cuts are usually measured only over the import categories on which cuts are made; e.g., “a 30% cut on 40% of imports” does not mean that the tariff, on average, is now 30 percent lower. It means that the tariff is, on average, .4 x 30%, or 12 percent lower. We include “zero cuts” in our average.⁵

Second, it is obvious that a 50 percent reduction of a 2% tariff rate does not improve market access the same as cutting a 40% rate in half. Taking this into account, we have calculated tariff changes from the formula

$$dT/(1+T)$$

where T is the ad valorem tariff rate, or ad valorem equivalent. From the perspective of an exporter, $dT/(1+T)$ measures the percentage by which she can reduce her delivered price in the importing country while keeping the net price she collects (after the tariff) the same. This comes to less than 1 percent if a 2% rate is cut in half, to more than 14 percent if a 40% rate is cut in half. We consider, thus, the formula $dT/(1+T)$ to provide the more appropriate measure of market access improvement.

Because of the tariff cuts, exporters on average will be able to reduce an additional 1 percent of what buyers pay in developed economies, 2.3 percent more of what buyers pay in developing economies. These figures are less exciting than reports of “tariffs being cut worldwide by an average of 40 percent,” that were in newspapers the day after the agreement was completed.⁶

Generally, the tariff cuts were made in five annual stages, the last on January 1, 1999. There were some exceptions in each direction, toward quicker implementation and toward slower.

⁴The results reported in this section come in large part from Finger, Ingco and Reincke. That source provides more extensive information on tariff concessions given and received by major Uruguay Round participants. Finger, Ingco and Reincke also provide a detailed discussion of which date were taken as the “before” and the “after” Uruguay Round tariff rates. Conceptualization of “before” and “after” followed practice developed by the GATT/WTO Secretariat, the dominant concern being to isolate tariff cuts that took place as a result of Uruguay Round commitments, not to count politically unilateral tariff cuts that took place while the round was under way. The basic data source for Finger, Ingco and Reincke is the GATT/WTO Integrated Data Base (IDB) that provides electronic data on the Uruguay Round schedules of commitments plus corresponding trade data for 40 major participants in the Uruguay Round negotiations (counting the then 12 members of the European Union as one participant).

The IDB covers 98 percent of merchandise (excluding petroleum) imports of the GATT contracting parties at the time of the round. Finger, Ingco and Reincke followed the World Bank convention of dividing economies into high income vs. low and middle income. By this classification, the IDB covers 14 high-income economies plus 26 “transition” and “developing” economies. With the exception of Hong Kong, all of the countries classified as high income are OECD members. Mexico and Korea, though OECD members, are classified as developing countries.

⁵ That we are focusing on market access may seem an obvious point, but experience with previous drafts indicates that readers will view our information from different perspectives. Some, for example, have commented that in calculating the percentage of imports subject to tariff cuts, we should have excluded already duty-free imports from the denominator – that a country with 80 percent duty free imports at the beginning could not have done more than make cuts on 20 percent. Our figures compare the percentage of countries’ imports affected by Uruguay Round concessions, on who did what. They do not compare who was more generous, who might have done what, or who tried harder.

⁶ The quote in this sentence is from the Financial Times, December 16, 1993, page 1.

Bindings of unilateral reductions

Table T3 reports for selected countries the percentage of recent tariff reductions that have been bound at the Uruguay Round.⁷ The countries in Table T3 are not the only countries that implemented unilateral liberalizations, they are the countries for which we could find data to measure the unilateral tariff liberalization, as well as the reduction agreed at the Uruguay Round.

Overall, our figures show that the countries in the group have bound somewhat less than half of the unilateral concessions that they have implemented since 1986. Measured by the $dT/(1+T)$ formula, that comes to a bound cut of 8 to 12 percent for a number of Latin American countries and a 22 percent cut for India. Again, such figures compare favorably with the tariff cuts agreed and bound by the developed economies at the Uruguay Round.

REMAINING TARIFFS

Table T2 presents post Uruguay Round averages of bound and of applied rates. Even though the developing economies agreed to larger cuts at the Uruguay Round, and a number of them also implemented unilateral reductions, their tariffs are still on average considerably higher than those of the developed economies.

Chart T3 provides the same information graphically. Generally, remaining patterns of tariff protection have the following characteristics:

1. Tariffs are disproportionately imposed against the exports of developing economies.
2. Tariffs are disproportionately imposed by the developing economies.
3. Biases against developing country exports are in developing economies' tariffs as much as in the developed economies' tariffs.

Beneath the low average tariffs of the developed economies there remain some significant tariff peaks, i.e., rates which are more than three times the national average. In several developed economies more than 10 percent of tariff lines bear rates more than three times as high as the national average. (Laird, 1999). The sectors with such peaks tend to be those of greater export interest to developing economies: footwear, leather and leather goods, food products, agriculture and textiles/clothing (UNCTAD/WTO, 1998) (a separate discussion of these latter product categories follows below). Both developing and developed economies display this tendency to impose higher import duties on goods of particular export interest to developing economies. That is why we see the pattern that Chart T3 reports.

TARIFF REDUCTIONS SINCE THE URUGUAY ROUND

WTO members at several negotiations since the Uruguay Round have agreed to significant further tariff reductions (Table T4). The largest of these reductions came together in the Ministerial Declaration on Trade in Information Technology Products which by the fall of

⁷ These results are taken from Finger and Winters (1998). The data that were used and the formulas for calculating total, bound and reciprocal reductions are explained there. Intuitively, suppose an applied tariff rate, initially 50%, is reduced in a unilateral liberalization to 20%. Suppose the country also agrees to bind the rate on that tariff line at 30%. The Total reduction is (50-20) or 30 percentage points; the Bound Reduction is (50-30) or 20 percentage points. The Reciprocal Reduction, the reduction conditioned on the Uruguay Round, is what the Uruguay Round adds to the Total Reduction. In this example, the bound rate is above the unilaterally assigned applied rate, so the Reciprocal Reduction is zero. Had the Uruguay Round bound rate been 10%, the Total Reduction would be (50-10), the Bound reduction would be (50-10) and the Reciprocal Reduction would be (20-10).

1997 had accumulated 43 signatories who thereby committed to a stepwise tariff elimination – on an MFN basis – on information technology products.⁸

This liberalization is impressive in both scope and depth. The Information Technology Agreement covers some big items like semiconductors, computers, scientific instruments and software – in 1997, more than 10 percent of world merchandise trade. Uruguay Round tariff cuts, we noted above, covered about 30 percent of world merchandise trade. The tariffs in question are more or less in line with the averages in most of the countries involved, hence the depth of cut will be in the same range as the depth of the Uruguay Round cuts.

Another post-Uruguay Round liberalization involved Canada, the European Union, Japan, Macau, Switzerland-Liechtenstein, and the US who agreed to eliminate tariffs by April 1997 on 465 pharmaceutical products, and on another 639 products by July 1999. These negotiated tariff eliminations followed an understanding during the Uruguay Round to hold such negotiating meetings at least every three years. These eliminations come in addition to 6,000 duty-free products already covered under the pharmaceutical initiative in the Uruguay Round.

The third instance, the EU and the US agreed in 1997 to reduce tariffs on distilled spirits, with the objective of eliminating tariffs on most of these products by 2000.

POLICING THE TARIFF CUTS

WTO Members created no specific mechanism to monitor the implementation tariff commitments. “Monitoring” will be done by traders – if a trader is asked to pay a duty above the importing country’s bound rate, the trader’s government can take the situation to the WTO dispute settlement process. As of March 1999, only one such situation has been brought to WTO dispute settlement, and the case is now under consultation.

The Integrated Data Base⁹ itself is an important instrument for monitoring implementation of tariff commitments and increasing the transparency of tariff protection. The IDB was first pulled together to aid negotiators during the Uruguay Round. Since July 1997, members are required¹⁰ to notify annually bound and applied tariff rates plus annual import statistics at the tariff line level. As of January 1999, 52 countries had made submissions to the IDB and a further 7 had requested technical assistance to do so. Submissions however were not always complete, bound rates have been included in only 33 of the 52 submissions.¹¹

⁸ For most of the signatories, tariffs will be eliminated by January 2000, for a few, by January 2005.

⁹ The IDB is an electronic database. All Members have submitted (at least) paper copies of their schedules of commitments.

¹⁰ General Council decision of 16 July 1997 (WT/L/225).

¹¹ Adapting data to recent changes and the technical challenge of producing submissions for 8 or 10 thousand tariff lines are the major reasons for delays.

TABLE T1: URUGUAY ROUND TARIFF CONCESSIONS GIVEN AND RECEIVED

	Bindings		Tariff reductions	
	(percentage of 1989 imports)		% of imports	Depth of cut (dT/(1+T))
	pre-UR	post-UR		
Tariff Concessions Given – All merchandise				
Developed Economies	80	89	30	1.0
Developing Economies	30	81	29	2.3
All	73	87	30	1.2
Tariff Concessions Received – All merchandise				
Developed Economies	77	91	36	1.4
Developing Economies	64	78	28	1.0
All	73	87	33	1.3
	Bindings		Tariff reductions	
	(percentage of 1989 imports)		% of imports	Depth of cut (dT/(1+T))
	pre-UR	post-UR		
Tariff Concessions Given – Industrial goods				
Developed Economies	85	92	32	1
Developing Economies	32	84	33	2.7
All	77	91	32	1.3
	Bindings		Tariff reductions	
	(percentage of 1989 imports)		% of imports	Depth of cut (dT/(1+T))
	pre-UR	post-UR		
Tariff Concessions Received – Industrial goods				
Developed Economies	79	93	37	1.5
Developing Economies	72	86	36	1.2
All	77	91	37	1.4

TABLE T2: POST-URUGUAY ROUND TARIFF RATES, ALL MERCHANDISE

	Bound rate, Average ad valorem	post-UR bound rate above applied rate ^a	applied rate, average ad valorem
Developed Economies	3.5	19	2.6
Developing Economies	25.2	37	13.3
All	6.5	22	4.3

^aPercentage of 1989 imports.

TABLE T3: URUGUAY ROUND TOTAL, BOUND AND RECIPROCAL REDUCTIONS OF SELECTED DEVELOPING COUNTRIES

Country	Total Reduction	Bound Reduction	Reciprocal Reduction	Percentage of Total Reduction Bound
Argentina	16	9	.001	57
Brazil	25	12	.007	47
Chile	19	8	0	39
Mexico	27	8	.004	30
Peru	20	9	.03	46
Uruguay	6	3	.009	41
Venezuela	19	2	0.2	12
India	27	22	4.8	82
Average, weighted by import value				39

TABLE T4: POST-URUGUAY ROUND TARIFF CONCESSIONS

Products	Countries	Concessions	Trade covered
Pharmaceutical products	Canada, EC, Japan, Macao, Switzerland/Liechtenstein, USA	Duty free treatment for 465 pharmaceutical products from 4/97 and for another 639 products from 7/99. At the Uruguay Round, these members agreed to duty free treatment of some 6000 products.	...
Information technology products	43 WTO Members and acceding Members	Stepwise elimination of tariffs on information technology products until January 2000, selected countries until 2005 see ITA for product cover)	Covers about 10% of world – 93 percent of world trade in IT products of US\$ 500 billion in 1997
Distilled spirits	USA, EC	Tariff reductions for distilled spirits in 1997; most tariffs will be reduced to zero by 2000	...

Source: Rectifications and Modifications of Uruguay Round Schedules

CHART T1: COVERAGE OF GATT TARIFF BINDINGS, PRE- AND POST-URUGUAY ROUND
(Industrial Goods)

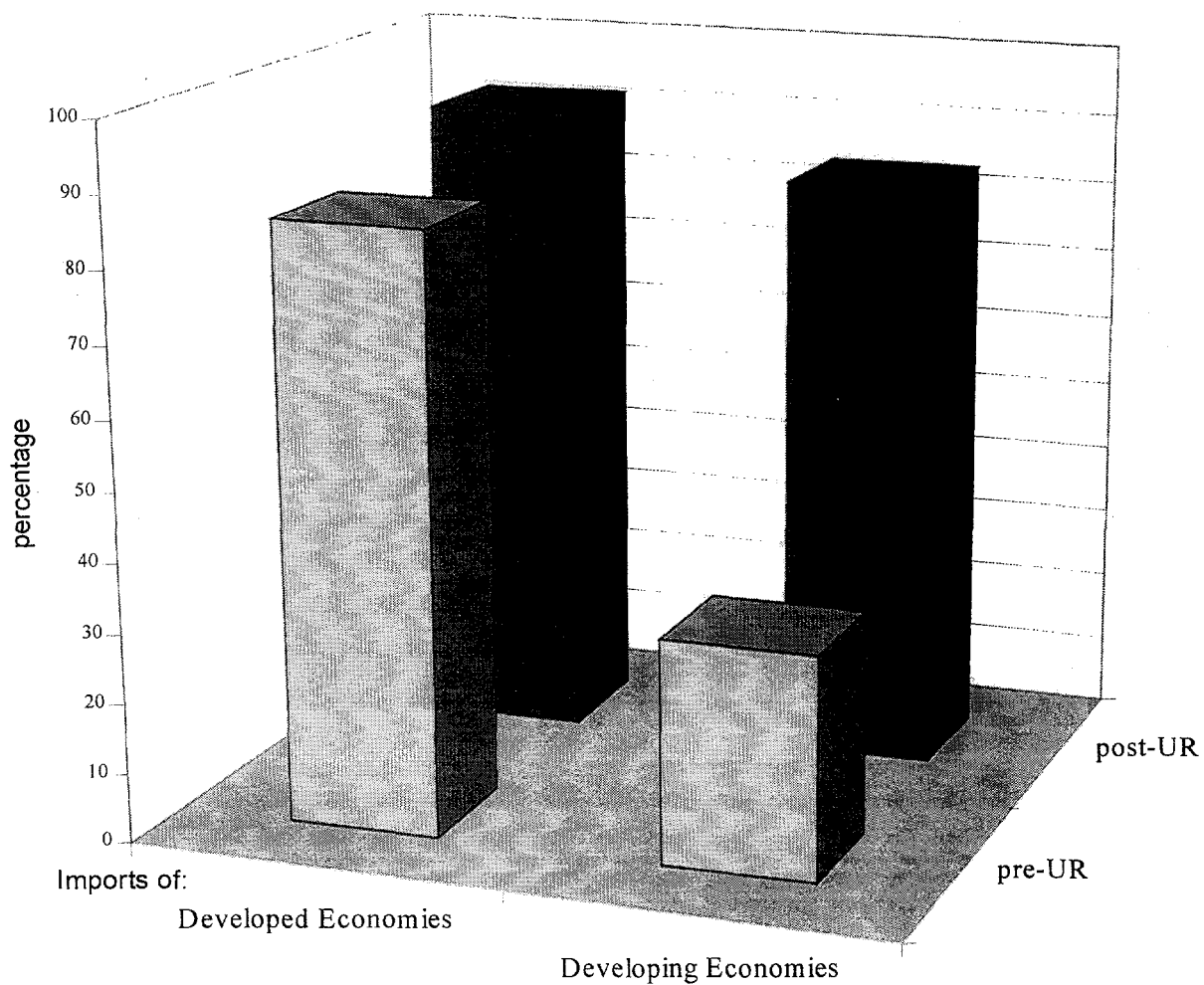


CHART T2: DEPTH OF TARIFF CUTS AGREED AT THE URUGUAY ROUND
(Industrial Goods)

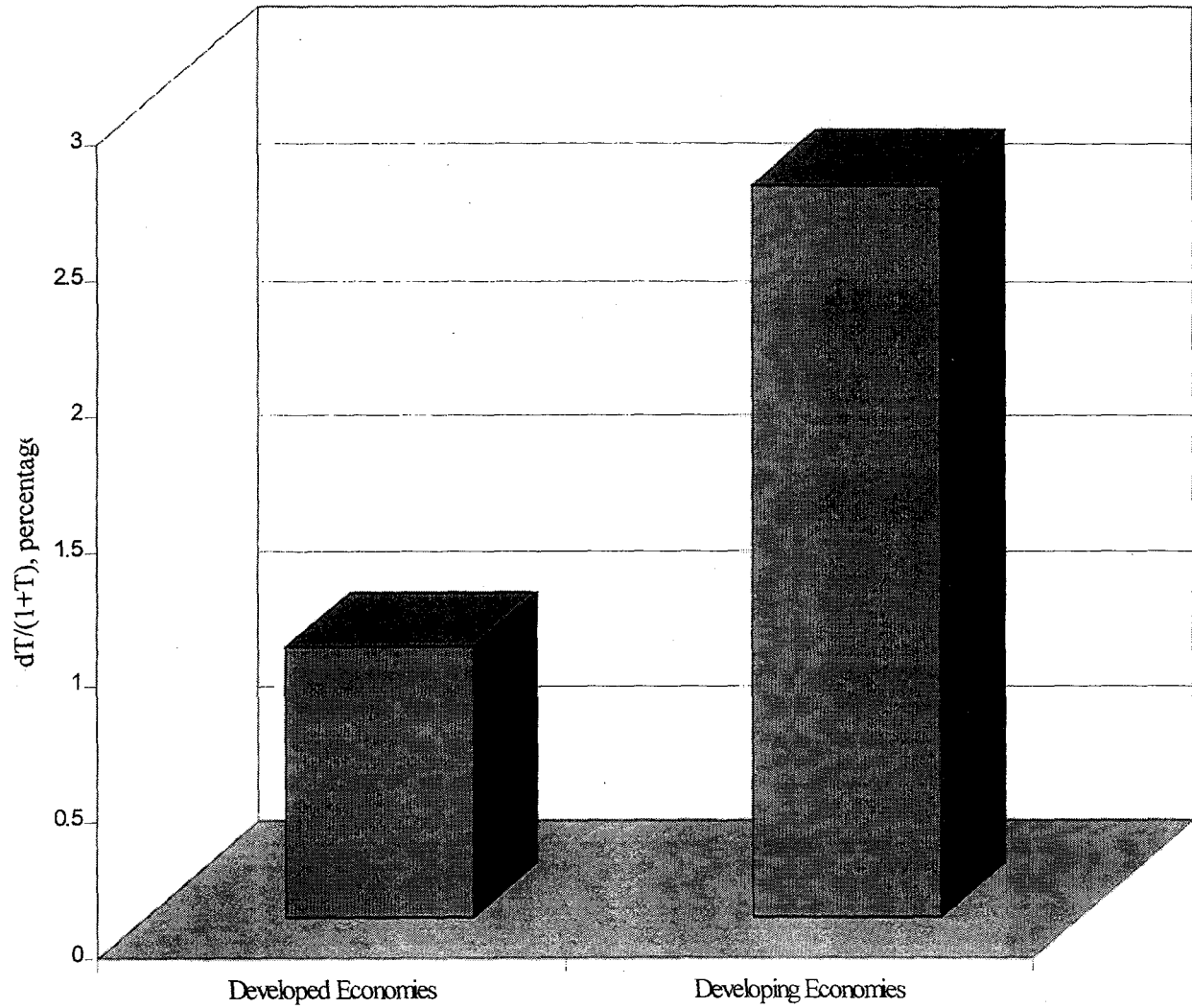
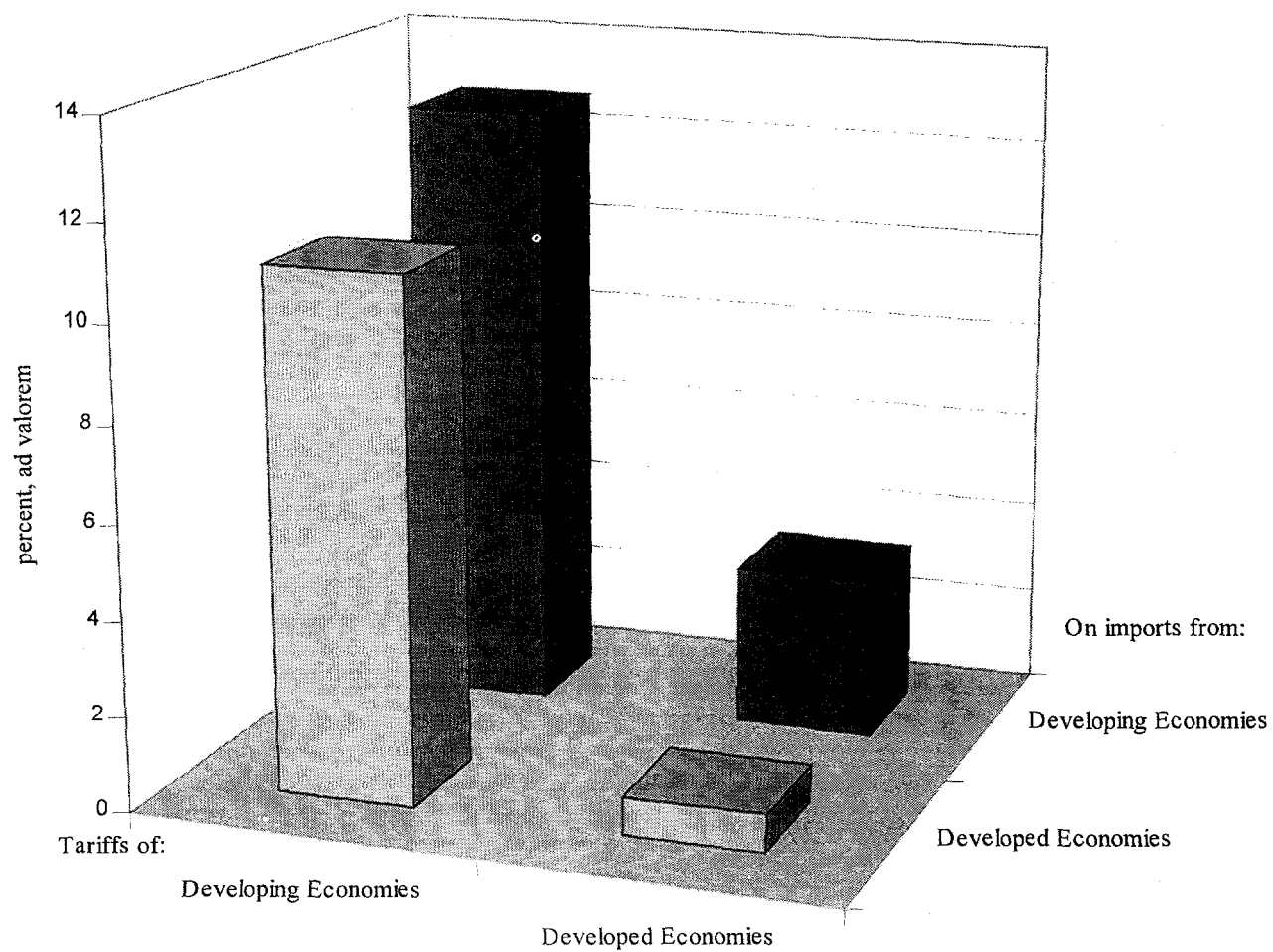


CHART T3: POST-URUGUAY ROUND MFN TARIFFS OF DEVELOPING AND OF INDUSTRIAL COUNTRIES ON MANUFACTURED PRODUCTS



2. QUANTITATIVE RESTRICTIONS

The Uruguay Round re-emphasized GATT's concern to discipline the use of quantitative restrictions and similar instruments, and made considerable progress toward that end. Rules that allow such restrictions¹² have been tightened, and those outside the new rules must be phased out. Grey-area measures such as voluntary export restraints are now illegal and existing measures must be phased out. In this section we will review notifications to the WTO of legal quantitative restrictions, and of those made illegal by the Uruguay Round Agreements and scheduled for elimination. In later sections we will review restrictions that have been imposed under various of the safeguard provisions in the Uruguay Round Agreements – some of which provisions allow for quantitative restrictions.

GATT-LEGAL MEASURES

Several GATT provisions that allow quantitative restrictions do not include notification requirements. Principal among these are Articles XX, General Exceptions, and XXI, Security Exceptions. Article XX covers, *inter alia*, restrictions to protect public morals (e.g., prohibition of importation of pornography) to apply technical or sanitary standards, to preserve human, animal and plant life, restrictions against imports produced by prison labor.

Some countries notify such restrictions, others do not. Table QR1 provides indicative information about the mix of legal quantitative restrictions that Members apply, but it does not provide reliable information about which Members apply legal quantitative restrictions.¹³ Virtually all countries have controls on some imports, e.g., of arms. The WTO Agreements do not require that Members report these restrictions and Table QR1 indicates that few Members have chosen to report them.

In Table QR1 we see that 49 times out of 57 (86 percent) Article XX or XXI was the justification cited for a quantitative restriction. The most frequently cited paragraph of Article XX is the one allowing restrictions to protect human, animal or plant life or health. Outside of Articles XX and XXI, Article XVIII.B, allowing developing countries to use quantitative restrictions to defend the balance of payments, is the most frequently cited Article.¹⁴

Though Articles XII and XVIII.B still provide for trade restrictions to defend the balance-of-payments, the Uruguay Round Understanding on Balance-of-Payments Provisions limited the scope for use of such. Even before that agreement, developing economies had been under considerable pressure to remove such restrictions, and use of the provision has declined. Only India, Nigeria, Tunisia, Bangladesh and Pakistan maintain restrictions under XVIII.B, and schedules for phasing out balance-of-payment based non-tariff-measures have already been

¹² The Agreements on Safeguards, on Agriculture and on Textiles and Clothing allow quantitative restrictions in certain circumstances. GATT 1994 under Article XI:2 allows quantitative export restrictions to deal with domestic shortages, also quantitative import restrictions for the application of standards and regulations, etc. Article XVII allows quantitative restrictions for the allocation of import licenses through state trading companies, Article XVIII.B for balance of payment reasons. Quantitative restrictions might also be justified under the general and security exceptions of Articles XX and XXI. For agricultural products, Article 4:2 of the Agriculture Agreement supercedes Article XI:2c of GATT 1994.

¹³ GATT articles that allow restrictions have proven to be fungible in that almost any restriction can be at least arguably justified under several GATT provisions (Finger, in Martin and Winters, 1996). There will thus be a vague margin between restrictions that the GATT allows in principle and those it allows in fact.

¹⁴ Notification of measures justified under Article XVIII.B is required.

agreed with Tunisia and Pakistan. India's restrictions justified under XVIII.B are subject to a dispute settlement proceeding, and India has re-notified some of the measures under other GATT articles. Nigeria's BOP-based quantitative restrictions have also been questioned.

MEASURES NOTIFIED FOR POST-URUGUAY ROUND ELIMINATION

The Uruguay Round Safeguards Agreement imposes time limits on all new safeguard measures. In concert it requires the phase-out of all existing safeguard measures now legal under GATT Article XIX. It also requires the elimination of all VERs and other restraints that would not be allowed under the Uruguay Round safeguard rules.¹⁵ Table QR2 lists all such measures notified by WTO Members. Only eight of the measures notified are measures taken under Article XIX that now come under sunset provisions. The brevity of this list, say, in comparison with the number of antidumping measures in place (below) reflects how infrequently Article XIX measures have been used to deal with troublesome imports. The other 18 measures listed are notified as inconsistent with the new Safeguard Agreement and subject to phase-out. Most of the measures (of both types) have been eliminated already, the remaining three are scheduled for elimination at the end of 1999.

The information in Table QR2 demonstrate that VERs have disappeared. To confirm that finding we looked for other information on VERs. A GATT tabulation (GATT 1992) identifying 79 such restraints outside agriculture and textiles/clothing that were in place as of 1992. Korea (46) and Japan (23) were most frequently involved on the exporters' side. On the importers' side, the European Union and the US accounted for 33 and 17 VERs each. Notifications since the Uruguay Round indicate that these arrangements are gone or will be gone on the deadline specified in the agreement. Among exporters, Japan submitted no report of continuing VERs,¹⁶ Korea's report indicates that all VERs with the US and the European Union have been eliminated. Thailand's notification indicates the same for the Thai VER on manioc to the European Union. Though the WTO does not require such notification, eighteen Members have notified the WTO that they maintain no quantitative restrictions. They are listed in a footnote to Table QR1.

WTO Trade Policy Reviews further support the conclusion that VERs have disappeared. The most recent TPR for Japan reports that all VERs in which Japan participated have been eliminated except the Japan-EU VER on cars – and that one will be gone by end 1999 (WTO, 1998). The 1996 Trade Policy Review for the US reports that the VERs agreed with other countries had been removed (WTO 1997). The accuracy of that finding is confirmed by the fact that it was not contested in discussion of the Trade Policy Reviews.

Despite this “elimination” of VERs, there are still WTO-legal ways for trade disputes to be resolved by exporters agreeing to restrain shipments. The antidumping and subsidies, countervailing measures agreements allow such “undertakings.” Following the filing in 1998 of antidumping and countervailing duty cases by the US steel industry, the US reached agreement to a VER with non-WTO member Russia. As of March 1999 when this study was written, Brazil had proposed to curb exports voluntarily if a US antidumping case is suspended, and much pressure is being put on Japan to reduce exports to the US.

¹⁵ Of course, the fungibility of GATT/WTO rules (footnote just above) means that a country wishing to maintain a grey area measure had several options for defending its legality.

¹⁶ The EU notified the VER on Japanese exports of cars that the EU has notified under the phasing out provision of the Safeguard Agreement.

OVERALL PROGRESS ON NTBS

Tables QR3 and QR4 provide a view of recent reductions in the application of NTBs. The tabulations summarized in the tables cover export restraints, non-automatic licensing, variable charges and quantitative restrictions and price-quantity measures, but exclude antidumping and countervailing duties.

Among OECD countries, the principal finding is that the share of tariff lines affected by such measures declined significantly, or remained at a very low level (Australia and New Zealand) in all countries covered. In those two, the index remained constant. The decline in the NTB index for Norway is mainly due to the tariffication of a large number of agricultural tariff lines, the elimination of VERs is a key reason for the decline in NTBs in the US and the EU.

Information on developing economies' use of NTBs extracted from WTO Trade Policy Reviews suggests a significant reduction in use of NTBs.¹⁷ Colombia, Indonesia, Korea, Malaysia, Mexico, Morocco, South Africa and Thailand now take much less recourse to such trade restrictions. Among the developed economies listed in Table QR4 (which is based on TPRs) only one, Brazil, had a higher NTB index value in 1995-98 than 1989-94, and for Brazil the increase was small, less than 2 percentage points

WTO Trade Policy Reviews explicitly acknowledge the implementation of the Uruguay Round Agreements in bringing down NTBs in Mexico and Thailand by about 50 percent. In Colombia and Korea, the elimination of quantitative restrictions under the balance of payments provision has resulted in a major reduction of NTBs. The decline in the use of the balance of payments provision has been an important achievement in the post-UR period, although it was not explicitly part of the Uruguay Round package.¹⁸

¹⁷ The OECD and the WTO-Trade Policy Reform tabulations are based on data at different levels of aggregation, hence we cannot compare the incidences of NTBs for developed economies (from the OECD tabulation) with those for developing economies (from the WTO-Trade Policy Reform tabulation.)

¹⁸ Trade Policy Reviews for the other developing countries in Table QR4 did not look into the reasons for the decline of NTBs.

**TABLE QR1: INDICATIVE LIST OF NOTIFICATIONS OF GATT-CONSISTENT*
QUANTITATIVE RESTRICTIONS AND JUSTIFICATIONS, BY MEMBER**

Member	GATT Articles or paragraphs cited		Product Categories	Type of QR(***)	Year of last Notification
	Which ones (**)	Number: Articles XX, XXI/Total			
Argentina			Vehicles	Q	1997
Australia	XX(b)	1/1	Chemicals (Ozone depleting substances)	P	1996
Chile	XX(b)	1/1	Used Vehicles	P	1996
Cyprus	XX(b),(d), XXI(a),(b)	4/4	Various Industrial Products	L	1996
Fiji	XX, XXI	2/2	Drugs, Arms etc. (anything seditious)	P	1997
Hong Kong	XX(b)	1/1	Agricultural Chemicals (s.a)	Q,P	1996-1998
Hungary			Food, Textiles, Wood, Jewelry, Motor vehicles	Q,L	1996
India	XVII, XVIII:B, XX(b),(c),(d), XXI(b)	4/6	Food, Chemicals, Machinery, Wood, Minerals, Metals, etc.	L,P,O	1996-1997
Jamaica	XX, XXI	2/2	Vehicles, Arms, Chemicals	L	1998
Japan	XI:2(c), XX (b),(g), XXI(b)(i)	4/5	Food, Mineral Products, Chemicals, Machinery, Arms	Q, O	1998
Korea	XVII, XVIII:B	0/2	Food, Mineral Products, Textiles	L	1997
Macau	XI:2(b), XX (b)	1/2	Agricultural Products, Chemicals, Arms, Machinery	L, P	1996
Malta			Food, Chemicals, Minerals, Wood, Metals, Vehicles, etc.	L	1996
Morocco	XX(b),(f),(g), (j), XXI	5/5	Various	L	1997
New Zealand	XX(b),(g),(j)	3/3	Chemicals (Ozone depleting substances)	P	1966
Pakistan	XX	1/1	Food, Chemicals, Arms	P	1997
Peru	XX(b),(g)	2/2	Used Textiles and Vehicles	P	1996-1997
Philippines	XVIII:B	0/1	Agricultural Products, Oil, Arms, Vehicles, Rubber Products, etc.	L,P	1996
South Africa	XX(a),(b),(c), XXI:b(ii)	4/4	Agricultural Products, Oil, Arms, Chemicals, Rubber, Metals, etc.	L	1996
Turkey	XI:2(a), XX(a),(b),(c),(d),(f),(g),(h); XXI:(b)(i), (b)(ii)	9/10	Animals, Food, Chemicals, Textiles, Arms	Q,P	1996-1998
Venezuela	XX(b),(g),(i)	3/3	Minerals, Chemicals, Rubber, Textiles, Used Vehicles	L,P	1996
Zambia	XX(g), XXI	2/2	Ivory, Wood, Metals	P,L,O	1996
Totals		49/57			

Source: Notifications submitted by Member Countries to the Market Access Committee

(*) Only GATT Articles

(**) Four countries in addition to the three listed here maintained at the end of 1998 quantitative restrictions under the balance of payment provision (Article XVIII:B). They are Bangladesh, Nigeria (no conclusion of last consultation), Pakistan and Tunisia.

(***) P=Prohibition, Q=Quota, L=Licensing, O=Other

P includes: Prohibition (P), Prohibition except under defined conditions (CP)

Q includes: Global quota (GQ), Global quota allocated by country (GQC), Bilateral quota (BQ)

L includes: Automatic licensing (AL), Non-automatic licensing (NAL)

O includes: QR made effective through state trading (STR), Mixing regulation (MXR), Minimum Price (MPR), Voluntary Export Restraint (VER)

Note: Countries which notified that they do not maintain quantitative restrictions and year of notifications: Bahrain (1997), Bolivia (1997), Brunei Darussalam (1996), Costa Rica (1998), Dominican Republic (1996), Gambia (1997), Haiti (1998), Honduras (1997), Iceland (1996), Liechtenstein (1997), Mongolia (1998), Paraguay (1998), Singapore (1996), Switzerland (1997), Trinidad/Tobago (1996-1998), Uganda (1996), United Arab Emirates (1997), Uruguay (1996)

TABLE QR2: PRE-EXISTING MEASURES NOTIFIED BY MEMBERS AS SUBJECT TO ELIMINATION UNDER RULES ADOPTED AT THE URUGUAY ROUND
(grey area measures and measures legal under Article XIX now subject to sunset provisions)

Importing Member	Restrained Exporters (if available)	Product	Instrument	Elimination Date	Sfg. Agm. Article ^a
Cyprus	All countries	Most imports	QRs, Prohibitions, discretionary licensing	31.12.98	11
EC		Dried Grapes	Minimum Import Price	31.12.99	10
EC		Preserved Cherries	Minimum Import Price	31.12.99	10
EC	Non-EC Countries	Live Bovine Animals	QR (Import License)	01.07.95	11
EC	Non-EC Countries	Swine and Meat of Swine	QR (Import License)	01.07.95	11
EC	Non-EC Countries	Rabbit Meat	QR (Authorization)	01.07.95	11
EC	All countries	Potatoes	QR (Certificates)	01.11.98	11
EC	Non-EC Countries, except those with a preferential agreement with the EC	Preserved Sardines	QR (Global Quota)	31.12.96	11
EC	Non-EC Countries, except those with a preferential agreement with the EC	Preserved Tuna	QR (Global Quota)	31.12.96	11
EC	Non-EC Countries	Lignite	QR	31.12.96	11
EC	Non-EC Countries	Coal	QR (Authorization)	31.12.97	11
EC	Japan	Motor Vehicles	VER	31.12.99	11
EC	Korea	Microwave Ovens	VER	02.06.97	11
EC	Korea	Color Picture Tubes	VER	02.06.97	11
EC	Thailand	Manioc	VER	30.06.95	11
Japan	Korea	Chestnuts, shelled	VER	31.12.98	11
Korea	People's Rep. Of China	Hot Bean Paste	QR (Import License)	31.12.99	10
Nigeria	All countries	Wheat Flour	Import Prohibition	no date provided	10
Nigeria	All countries	Sorghum	Import Prohibition	no date provided	10
Nigeria	All countries	Millet	Import Prohibition	no date provided	10
Nigeria	All countries	Gypsum	Import Prohibition	no date provided	10
Nigeria	All countries	Kaolin	Import Prohibition	no date provided	10
South Africa	All countries	Oil and Oil Products, Petroleum, Chemicals, Rubber, Plastic	QR (Import licenses)	31.12.98, 31.12.96, 31.07.96, 28.02.97	11
UK, Germany	Korea	Stainless Steel Flatware	VER	31.12.98	11
all countries	Slovenia	Wood in various forms, Metal Waste and Scrap	Special Export Tax, rates 10 to 25 %	01.01.97 and 01.01.98	11
all WTO Members	Korea	Oysters in airtight containers	VER	31.12.98	11

Source: Notifications submitted by Member Countries to the WTO Committee on Safeguards

^a Article 10, GATT XIX measures; Article 11, VERs and other measures inconsistent with the Safeguards Agr.

TABLE QR3: CORE NON TARIFF MEASURES* IN SELECTED OECD COUNTRIES

(Share of tariff lines with at least one NTB, in percentage)

Country	1993	1996
Australia	0.3	0.3
Canada	1.4	1.2
EU	9.4	4.2
Iceland	2.8	0.7
Japan	3.8	2.6
Mexico	2	1
New Zealand	0	0
Norway	24	3.8
Switzerland	3.5	0.2
Turkey	0.1	0.2
U.S.	10.3	2.9

Source: OECD 1997

* Core Non-Tariff Measures include: export restraints, non-automatic licensing, other quantitative restrictions, variable charges and other price control measures. The figures do not cover antidumping, countervailing duties and voluntary export/price restraints.

TABLE QR4 CORE NON-TARIFF MEASURES IN SELECTED DEVELOPING ECONOMIES

Economy	Relative incidence of NTBs 1995-98 ^b
Hong Kong	0
Singapore	1
Argentina	2
Chile	6
South Africa	9
Colombia	11
Mexico	14
Morocco	14
Thailand	19
Malaysia	21
Korea	27
Indonesia	33
Brazil	48
India	100

Source: WTO Trade Policy Reviews

^a Core Non-Tariff Measures include: export restraints, non-automatic licensing, other quantitative restrictions, variable charges, and other price control measures. The figures do not include coverage of antidumping, countervailing duties and voluntary export/price restraints.

^b Relative NTB incidence where NTB incidence is measured by the share of 85 broad data categories with at least one NTB.

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3. TEXTILES AND CLOTHING

Since the 1930s, developed economies have used negotiated or “voluntary” export restraints to limit their imports of textiles and clothing.¹⁹ Finally, in the Uruguay Round Agreements, the international community decided to put an end to this practice. The major provisions for eliminating quotas and VERs on textiles and clothing are as follows:

- all textiles and clothing products will be “integrated into GATT 1994” in four stages (1/1/1995, 1/1/1998, 1/1/2002, 1/1/2005); encompassing 16 percent, 17 percent, 18 percent and 49 percent (by 1990 volume) of imports of all specified textiles and clothing products;
- import growth rates for all products not so integrated (i.e., that remain under restraint) will be increased in each of the three intervals between stages by 16 percent, 25 percent and 27 percent, respectively;²⁰
- each of the four groups into which the spectrum of textile products has been divided (tops and yarns, fabrics, made up textile products, clothing) must be included in each of the integration.

The percentages listed in the first bullet above apply to “the total volume of the Member’s 1990 imports of the products in the Annex.”²¹ The annex runs to more than 30 pages of six-digit HS products and includes all textile and clothing products that were subject to MFA or MFA-type restraints in at least one importing country.²² Any one Member is unlikely to have restraints on all of the products on the list, and hence in the early stages will have the opportunity to “integrate” products on which it has no restrictions. As a matter of semantics then, the operative phrase in the agreement, to integrate into GATT 1994 is better described as “certifying that a product is clean of restrictions”²³ than as “removing MFA restrictions.”

- A transitional safeguard measure may be applied by a Member²⁴ to any product in the Annex, except for products already integrated into the GATT, i.e., liberalized as per the first bullet above.

Constraints for using the transitional safeguard mechanism are tighter than those for, say, the safeguards agreement –e.g., a transitional safeguard cannot extend beyond three years. Transitional safeguards may however be applied against specific exporters.

¹⁹ Finger and Harrison (1996) provide a history of MFA-related restrictions on developed economies’ imports of textiles and clothing, beginning with VERs by Japan in the 1930s.

²⁰ The percentages apply to growth rates, not to growth; e.g., if the agree quota growth rate is 3 percent, in the first interval this rate must increase to $(1.16) \times 3$, equals 3.48.

²¹ Agreement on Textiles and Clothing, Article 2, paragraph 6.

²² WTO Secretariat 1999, p. 66.

²³ Those that would be illegal under GATT 1994.

²⁴ This includes Members who did not have in place restrictions under the MFA, but who notified the Textiles Monitoring Board that they retained the right to use the transitional safeguards provision. Sixty-four Members so notified. Nine Members notified that they did not wish to retain the right to use transitional safeguards. (WTO G/L/179, p. 14.)

IMPLEMENTATION – CONCENTRATED ON RELATIVELY UNRESTRICTED PRODUCTS

The developed economies' policies toward these imports are among their most restrictive. Hufbauer and Elliott estimate, for example, that almost 9/10 of the cost to the US economy of US import restrictions are accounted for by restrictions on imports of textiles and clothing. At the same time, textiles and clothing account for more than 20 percent of developing economies' industrial exports, hence there is much to gain all around from liberalization.

Implementation has proceeded through the first two stages; thus, each importing country has integrated into GATT 1994 products accounting for at least 33 percent of its imports. There have been, however, loud complaints that minimal liberalization has resulted from this implementation. The most often voiced complaints are that each importing Member has weighted its liberalization toward products:

- that were not under restraint in that country,
- with little value added or on which developed economies do not have comparative advantage, e.g., yarns and fabrics rather than clothing,
- with high tariffs,
- and that they have overused transitional safeguards or have applied antidumping and other WTO-legal restrictions disproportionately against textiles and clothing.

We will review below available evidence on each of these.

The tabulation in Table TC1 – taken from information notified to the Textiles Monitoring Board – does indicate that importers have selected items that were not under restriction. Norway, of the countries in the table, is the exception. Norway has decided to liberalize more rapidly than the agreement requires.²⁵

For the US and Canada (combined) textile imports and clothing imports are about equal, for Western European countries (combined) clothing imports are considerably larger than textile imports.²⁶ Even so, clothing has made up a small part of the products the countries listed in Table TC2 which have been integrated into GATT 1994 – among the best of them, hardly more than 10 percent.

TARIFF CUTS AND REMAINING TARIFFS

Tariffs on textiles and clothing remain high relative to those on industrial products generally (Table TC3). Table TC3 also reports that the Uruguay Round tariff cuts on textiles and clothing were relatively large. Not only were the cuts (measured by $dT/(1+T)$) deeper on textiles and clothing, they were applied to a larger fraction of imports.

TRANSITIONAL SAFEGUARDS

Table TC4 lists all transitional safeguard measures implemented from implementation of the Uruguay Round Agreements through March 19, 1999. Soon after the agreement went into force, the United States applied a number of transitional safeguards, all but one of which had been lifted by March 1999. The US has not imposed a transitional safeguard since March 1996. Brazil's actions, all imposed in January 1996, are mostly still in place. The only other country to

²⁵ WTO document G/C/M/23, p. 23.

²⁶ WTO, Annual Report 1997, Tables IV.53 and IV.60.

apply a transitional safeguard measure was Colombia, but the two measures applied by Colombia in 1998 have both been rescinded.

ANTIDUMPING

Table AD6 reports recent antidumping initiations by sector. From these dates it appears that the EU has initiated a significant number of cases against textile and clothing imports. These cases however were not on products that the EU liberalized in the first two rounds of phasing textile and clothing tariff lines into the GATT 1994.

TABLE TC1: NUMBERS OF MFA QUOTA LIMITS NOTIFIED AND ELIMINATED IN STAGES 1 AND 2
 (Stage 1 plus stage 2 requires integration of 33%, by import volume.)

Member	Notified, Number	Eliminated	
		Number	Percentage
United States	650	8	1
European Union	199	14	7
Canada	205	28	14
Norway	54	46	85

Source: WTO Doc. G/L/179, page 29. Norway G/C/M/23, p.23.

TABLE TC2: CLOTHING AS A PERCENTAGE BY VOLUME OF PRODUCTS INTEGRATED IN STAGES 1 AND 2

Member	Percentage
United States	12.4
European Union	7.2
Canada	7.9
Norway	10.6

Source: WTO Doc. G/L/179, page 29.

TABLE TC3: POST URUGUAY ROUND APPLIED TARIFF RATES AND URUGUAY ROUND TARIFF CUTS ON TEXTILES AND CLOTHING AND ON ALL INDUSTRIAL GOODS

	post-UR applied rate		UR cut ^a dT/(1+T)*100		Percentage of imports subject to cut	
	Textiles And Clothing	Industrial goods	Textiles and clothing	Industrial goods	Textiles and clothing	Industrial goods
<u>Selected developed economies</u>						
Australia	22.6	9.7	9.0	3.8	54.1	46.2
Canada	14.2	2.6	3.7	1.1	64.8	22.5
European Union	8.7	2.9	1.4	1.3	70.5	43.3
Japan	7.2	1.4	1.9	1.1	83.5	42.1
United States	14.8	3.1	1.7	1.2	86	42.5
<u>Selected developing economies</u>						
Brazil	15.5	11.8	0.0	0.0	0.0	0.1
Colombia	15.9	10.4	0.0	0.0	0.0	0.6
Czech & Slovak Customs Union	6.6	3.7	1.7	0.9	72.8	72.8
India	42.4	29	7.4	6.8	41.1	41.1
Korea	13	7.6	5.1	6.2	71.1	71.1
Thailand	28.9	26.8	19.6	5.4	41.4	41.4
Turkey	44.2	24.2	10.5	2.6	41.7	41.7
Zimbabwe	17.6	4.5	1.3	0.1	2	2
All developed economies in the IDB	8.4	2.5	1.4	1.0	53.0	32.3
All developing economies in the IDB	21.2	13.3	4.1	2.7	48.6	33.4
All economies in the IDB	9.8	4.2	1.6	1.3	52.6	32.4

Note:

^a Averaged over all textiles and clothing tariff lines, including those with zero cuts.

TABLE TC4: TRANSITIONAL SAFEGUARDS IN TEXTILES AND CLOTHING SINCE 1/95

Member requesting consultations	Member subject to request for consultation	Product	Measure introduced on	Type of safeguard measure introduced	Review by the TMB	Follow-up of the TMB review	measure still in force (on 19.03.1999)
United States	El Salvador	Cotton & man-made fiber pajamas & other nightwear	27.03.95	Agreed restraint	United States rescinded		no
United States	Honduras	Cotton & man-made fiber pajamas & other nightwear	27.03.95	Unilateral restraint	Yes	United States rescinded	no
United States	Jamaica	Cotton & man-made fiber pajamas & other nightwear	27.03.95	Agreed restraint	United States rescinded		no
United States	Costa Rica	Cotton & man-made fiber underwear	27.03.95	Unilateral restraint	Yes	Dispute settlement panel	no
United States	Dominican Republic	Cotton & man-made fiber underwear	27.03.95	Agreed restraint	Yes		no
United States	El Salvador	Cotton & man-made fiber underwear	27.03.95	Agreed restraint	Yes		no

Table TC4: Transitional Safeguards...(continued)

Member requesting consultations	Member subject to request for consultation	Product	Measure introduced on	Type of safeguard measure introduced	Review by the TMB	Follow-up of the TMB review	measure still in force (on 19.03.1999)
United States	Honduras	Cotton & man-made fiber underwear	27.03.95	Unilateral restraint	Yes	Subsequent agreed restraint, reviewed	no
United States	Turkey	Cotton & man-made fiber underwear	28.03.95	Unilateral restraint	Agreed restraint during Review by the	Agreed restraint reviewed	no
United States	Colombia	Cotton & man-made fiber underwear	29.03.95	Agreed restraint	Yes		no
United States	Thailand	Cotton & man-made fiber underwear	29.03.95	Unilateral restraint	United States rescinded during review		no
United States	India	Woven wool shirts and blouses	18.04.95	Unilateral restraint	Yes	Dispute settlement panel	no
United States	India	Women's and girl's wool coats	18.04.95	Unilateral restraint	Yes Dispute settlement panel requested, US rescinded. India requested termination of further action in pursuance of decision to establish a panel		no

Table TC4: Transitional Safeguards...(continued)

Member requesting consultations	Member subject to request for consultation	Product	Measure introduced on	Type of safeguard measure introduced	Review by the TMB	Follow-up of the TMB review	measure still in force (on 19.03.1999)
United States	India	Men's & boys' wool coats other than suit-type	18.04.95	Unilateral restraint	Yes	United States rescinded	no
United States	Honduras	Women's and girls' wool coats	24.04.95	Unilateral restraint	Agreed restraint during review		no
United States	Philippines	Man-made fiber luggage	24.04.95	Unilateral restraint	Rescinded before review		no
United States	Brazil	Men's & boys' wool coats other than suit-type	26.04.95	None			no
United States	Hong Kong	Woven wool shirts and blouses	27.04.95	Unilateral restraint	Yes	United States rescinded	no
United States	Sri Lanka	Man-made fiber luggage	27.04.95	Agreed restraint	United States rescinded		no
United States	Thailand	Man-made fiber luggage	28.04.95	Unilateral restraint	Rescinded before review		no
United States	Thailand	Artificial staple yarn	28.04.95	Unilateral restraint	Agreed restraint reviewed		no
United States	Guatemala	Cotton and man-made fiber skirts	31.05.95	Agreed restraint	Agreed restraint reviewed		no
United States	Colombia	Women's and girls' wool suits	31.05.95	Agreed restraint	Agreed restraint reviewed		no

Table TC4: Transitional Safeguards...(continued)

Member requesting consultations	Member subject to request for consultation	Product	Measure introduced on	Type of safeguard measure introduced	Review by the TMB	Follow-up of the TMB review	measure still in force (on 19.03.1999)
United States	Philippines	Women's and girls' wool suits	31.05.95	Unilateral restraint	Rescinded before review		no
United States	Costa Rica	Cotton & man-made fiber pajamas & other nightwear	29.06.95	Unilateral restraint	Rescinded before review		no
United States	El Salvador	Cotton & man-made fiber skirts	29.03.96	Unilateral restraint	Agreed restraint before review		yes
United States	Pakistan	Yarn for sale, 85% or more by weight cotton ring spun	not introduced				no
Brazil	Hong Kong	Woven artificial filament fabric	01.06.96	Unilateral restraint	Yes	Brazil rescinded	no
Brazil	Hong Kong	M&B shirts, knitted or crocheted, of other textile material	01.06.96	Unilateral restraint	Yes	Brazil rescinded	no
Brazil	Korea	Woven fabric containing 85% or more by weight artificial staple	01.06.96	Unilateral restraint	Agreed restraint before deferred review		yes
Brazil	Korea	Woven artificial filament fabric	01.06.96	Unilateral restraint	Agreed restraint before deferred review		yes
Brazil	Korea	Polyester filament fabric	01.06.96	Unilateral restraint	Agreed restraint before deferred review		yes

Table TC4: Transitional Safeguards...(continued)

Member requesting consultations	Member subject to request for consultation	Product	Measure introduced on	Type of safeguard measure introduced	Review by the TMB	Follow-up of the TMB review	measure still in force (on 19.03.1999)
Brazil	Korea	Other synthetic filament fabric	01.06.96	Unilateral restraint	Agreed restraint before deferred review		yes
Brazil	Korea	Sheeting of staple filament fiber combinations	01.06.96	Unilateral restraint	Agreed restraint before deferred review		yes
Colombia	Brazil	Denim	17.07.98	Unilateral restraint	Yes	Colombia rescinded	no
Colombia	India	Denim	17.07.98	Unilateral restraint	Yes	Colombia rescinded	no

Source: Reports of the Textiles Monitoring Body of the WTO

4. AGRICULTURE

The agriculture negotiations focused on three categories of policy; import restrictions, domestic support programs, and export subsidy programs. We will pay attention principally to import restrictions.

THE INTENT OF THE NEGOTIATORS

On import restrictions, the major objective of the agreement is to establish a “tariffs only” regime – to eliminate all forms of import restriction other than bound tariff rates. To do so, all members were required to “tariffy” their non-tariff import restrictions. This conversion was based on the price gap methodology, with the methodological details being set out in technical guidelines on how to measure the gap between the domestic price (the price inside the protection wall) and the world price.²⁷ The base period for the conversion, members agreed, would be 1986-1988, a period when many agricultural prices had been unusually low. Because agricultural policies try to maintain a relatively stable – and high – domestic price, the price gap calculated from this base period coupled, in some cases, with other adjustments allowed by the technical guidelines, frequently resulted in high tariff rates. Developing countries had the option to submit ceiling rates on previously unbound tariff items, with the additional proviso to remove all agriculture-specific non-tariff measures. Each member’s legal obligation is defined by its schedule of tariff rates annexed to the GATT 1994.²⁸

According to the WTO Secretariat, forty countries participated in the tariffification process which covered (in aggregate) about 22 percent of their tariff lines.²⁹ Finger-Ingco-Reincke calculations over the IDB show that tariffification covered, by value, just over one-third of tariffing countries’ agriculture imports.

The modalities document also gave targets for tariff reductions. A developed country member was to reduce its duties, including those resulting from tariffification, across all agricultural tariff lines by a simple average of 36 percent over six years, with a minimum reduction of 15 percent on individual products. A developing country member was to reduce its duties by 24 percent over 10 years, and least developed countries were not required to make reductions.³⁰

²⁷ Following their use to establish the draft schedules of concessions and commitments, the technical guidelines were re-issued as Uruguay Round document MTM.GNG/MA/W/24, Modalities For The Establishment Of Specific Binding Commitments Under The Reform Program, December 20, 1993.

²⁸ The reader should be careful to recognize the difference between the negotiating process through which legal commitments are agreed and the legal commitments themselves. The conversion guidelines were part of the negotiating process. They likely influenced what tariff rates one Member was willing to accept from another, but once a Member’s schedule of rates was accepted and annexed to GATT 1994, the conversions guidelines became irrelevant. No Member can be taken to the dispute settlement mechanism on its bound rates being higher than those calculated with the formulas of the conversion guidelines.

²⁹ WTO Secretariat (1999), p. 136.

³⁰ Again the schedules of commitments, not the formula, define legal obligations.

Tariff quota commitments

As part of the tariffication package, WTO Members agreed to maintain, for tariffied products, "current" import access opportunities at levels corresponding to those existing during the 1986-88 base period at terms not less favorable than in that period. Where such current access had been less than 5 per cent of domestic consumption of the product in question in the base period, the agreement required an (additional) minimum access opportunity on a most-favored nation basis³¹ at a low tariff rate. This was to ensure that in 1995, current and minimum access opportunities combined represented at least 3 per cent of base-period consumption and are progressively expanded to reach 5 per cent of that consumption in the year 2000 (developed countries) or 2004 (developing countries), respectively.³²

ESTIMATING HOW THE AGREEMENT HAS CHANGED MARKET ACCESS

Implementing the tariff part of the agreement involves the following steps:

- As explained above, Convert to tariffs-only, i.e., determine new tariff rates for all tariff lines with NTBs, eliminate the NTBs. (Many of the new rates are specific rates, not ad valorem rates.)
- Bind all tariff lines – those on which NTBs have been converted to tariffs and those, on which there were tariffs only, i.e., no NTBs.
- Reduce the bound rates.

legal commitments are those specified in the schedules of rates attached by Members, possibly higher – even including staged reductions – than the tariff equivalent of initial measures. The Finger-Ingco-Reincke calculations that we report here are based on work by Ingco (1995) that used 1986–1988 as the base period for calculating (a) the ad valorem equivalents of overall protection applied in that period, and (b) the ad valorem equivalents of the tariffied bound rates.

Ingco found that many of the new bound rates were above the rates actually applied in the base period, and that some of the post-Uruguay Round bound rates – the rates that incorporate all of the scheduled reductions – are above the tariff equivalents of all protection applied before the Uruguay Round. While the focus of the Finger-Ingco-Reincke calculations we report here is on isolating the instances in which the Uruguay Round schedules do imply a reduction of protection, we will pay attention to her evidence on this “dirty tariffication.”

Suppose for example, that the ad valorem equivalent rates for a particular tariffied line, as of the base period, were as follows:

Base period applied protection (including the tariff equivalent of NTBs)	20%
Immediate post UR bound rate	30%
Final post UR bound rate that incorporates the scheduled reductions	18%

³¹ Importers can however count special arrangements as part of their minimum access commitments and can allocate their minimum access to exporters that have special arrangements. Thus sugar, beef etc., imports of the US and the European Union will be allocated as before. (Hathaway and Ingco, 1996, p. 48).

³² Again, legal commitments are defined by the schedules, which specify at which quantities the higher tariff rate will go into effect.

In this instance, the Finger-Ingco-Reincke calculations would take as the “before-UR” rate the 20% applied rate, not the 30 % bound rate. Only if the final-UR bound rate is below the “before-UR” applied rate does the country’s Uruguay Round commitment imply a tariff reduction. Thus the “after-UR” rate in the Finger-Ingco-Reincke calculations is the lower of the “before-UR” rate or the post-UR bound rate.

The guideline of a 36 percent reduction is met in this example – the reduction of the bound rate from 30% to 18% is more than a 36 percent reduction. The Finger-Ingco-Reincke calculations, however, look at how the Uruguay Round has reduced applied protection, and would include only the reduction from the previously applied rate, i.e., from 20%, to 18%. If the final-UR bound rate were at or above the base period applied rate – in this example, at or above 20%, the Finger-Ingco-Reincke calculations would attribute zero reduction to the Uruguay Round.³³

RESULTS: TARIFF BINDINGS AND REDUCTIONS

Judging from the sample of countries in the IDB, Table A1 reports that both developed and developing economies have now bound virtually 100 percent of their agricultural tariff lines, overall an expansion of coverage of about two-thirds for the developing economies, one-fourth for the developed economies. Uruguay Round adjustments imply reductions of tariff rates on about one-fourth of developed economies’ imports, on about one-fifth of developing economies’ imports. The developing economies were expected to make smaller cuts, but our results show a larger depth of cut for developing economies.³⁴

The figures for scope and depth of cut by the developing economies in the IDB, are probably not representative of developing economies in general. The IDB covers all of the developed economy members of the WTO, but it covers none of the least developed countries, who were not expected to make reductions of their agricultural tariffs. The developing economies in the IDB tend to be those that have implemented significant trade reforms.

Chart A1 converts the extent and depth of tariff cuts by the developing economies into multiples of performance by the developed economies. We see there the same pattern we found for tariffs overall. Developing economies’ tariffs are still considerably above those of developed economies; the extent (import coverage) of developing economies’ Uruguay Round tariff reductions was smaller. But the depth of cut when we measure by how it will affect trading partners’ market access was considerably more by the developing economies – at least for those who are in the IDB.

Tariff quota commitments

The above figures do not take into account how the minimum access commitments (implemented through tariff quotas) have affected the scope of liberalization. This impact depends, of course, on which of a country’s tariffed products have imports below 5 percent of

33 The “after” rate is always the lower of the applied and the post-UR bound rate; hence, the Uruguay Round reduction is never negative.

34 Developing economies’ tariff rates tend to be higher (Table A2), we measure the depth of tariff cut by $dT/(1+T)$ – which for a given dT/T is larger as T is larger. Negotiating guidelines were not precise, but in GATT/WTO affairs, dT/T is usually the implicit measure for depth of cut.

base period domestic consumption, and by how much.³⁵ At the maximum (i.e., if imports of all tariffed products were below the minimum) minimum access opportunities would affect the 22 percent of tariff lines, or approximately one-third of imports, by value, that were tariffed. Hathaway and Ingco (1996, p. 49) estimate that Japan and Korea's minimum access commitments on rice will result in nearly a million tons per year of new imports, an expansion of world trade in rice of 7.5 percent over its 1992 level. Otherwise, they conclude that "the minimum access commitments will provide relatively little additional access and even less additional trade," no more than 0.5 percent for wheat and sugar. (pp. 48, 49)

TARIFFICATION ABOVE EXISTING LEVELS OF PROTECTION

On agriculture products as on manufactures, developing economies committed to ceiling bindings above their applied rates. Averaged over the developing economies in the IDB, the average applied rate in the base period was 18 percent, their bound rates average almost 60 percent.

Countries that converted NTBs to tariffs have in some cases posted rates higher than the base year tariff equivalent of those NTBs. Japan, for example, has announced that beginning in April 1999 its tariff on rice will be \$3.05 per kilo. *International Trade Reporter* (1998) estimates that this rate is equivalent to 1,000 percent, ad valorem. This rate applies, of course, only to imports in excess of Japan's minimum access commitment. Hathaway and Ingco calculate that Japan's actual base period protection on rice had a tariff equivalent of about 650 percent.³⁶ Ingco identifies other instances in which a developed economy's post-UR bound rate is above the tariff equivalent of its base year protection.

SPECIAL SAFEGUARDS

The provision on special safeguards applies only to products that were subject to tariffication. They allow additional duties to be applied in case of a precisely defined surge of import quantity, or cases of imports at prices below a precisely defined reference level. A member can apply a special safeguard to a product for the remainder of the relevant year, on a shipment by shipment basis, only if the member noted in its schedule of commitments that it claimed the right to (eventually) do so. Thirty-eight members have reserved that right, on varying numbers of products. For all relevant Members combined, these reservations imply a potential for imposing special safeguards on almost 6,100 tariff items. During the period January 1998 through September 1998, volume-based actions were taken by five Members affecting a total of 128 tariff items and price-based actions were also taken by five Members affecting a total of 72 tariff items.

35 The commitments apply to opportunities, as defined by the volume at which the higher tariff quota rate applies. They are not minimum import commitments.

36 The specific duty is above the domestic cost of production, hence only the minimum access commitment will affect the amount of rice Japan imports.

TABLE A1: AGRICULTURAL PRODUCTS: URUGUAY ROUND TARIFF BINDINGS

	Percent of imports GATT-bound		Post-UR bindings that reduce protection ^a
	Pre-UR	Post-UR	
<u>Tariffied products</u>			
All economies that tariffied	66	100	14
<u>Untariffied products</u>			
Developed Economies	71	100	35
Developing Economies	37	100	17
<u>Tariffied and untariffied products</u>			
Developed Economies	72	100	26
Developing Economies	37	100	17

Notes:

^a Tariffied products: percentage (by value) of imports with final-UR bound rates (rates that include reductions) below the tariff equivalent of base period protection. Untariffied products: percentage of imports with final-UR bound rates below base period applied rates.

Source: Finger-Ingco-Reincke, Tables G2.

**TABLE A2: AVERAGE URUGUAY ROUND TARIFF CUTS ON AGRICULTURAL PRODUCTS,
AVERAGE POST-URUGUAY ROUND APPLIED AND BOUND TARIFF LEVELS**

	UR Reduction ^a	post-UR applied rate ^b	post-UR bound rate ^b
<u>Tariffied Lines</u>			
All economies that tariffied	4.4	25	32
<u>Not tariffied lines</u>			
Developed Economies	1.6	5	7
Developing Economies	0.9	19	66
<u>Tariffied and not tariffied</u>			
Developed Economies	1.5	14	15
Developing Economies	4.7	18	60

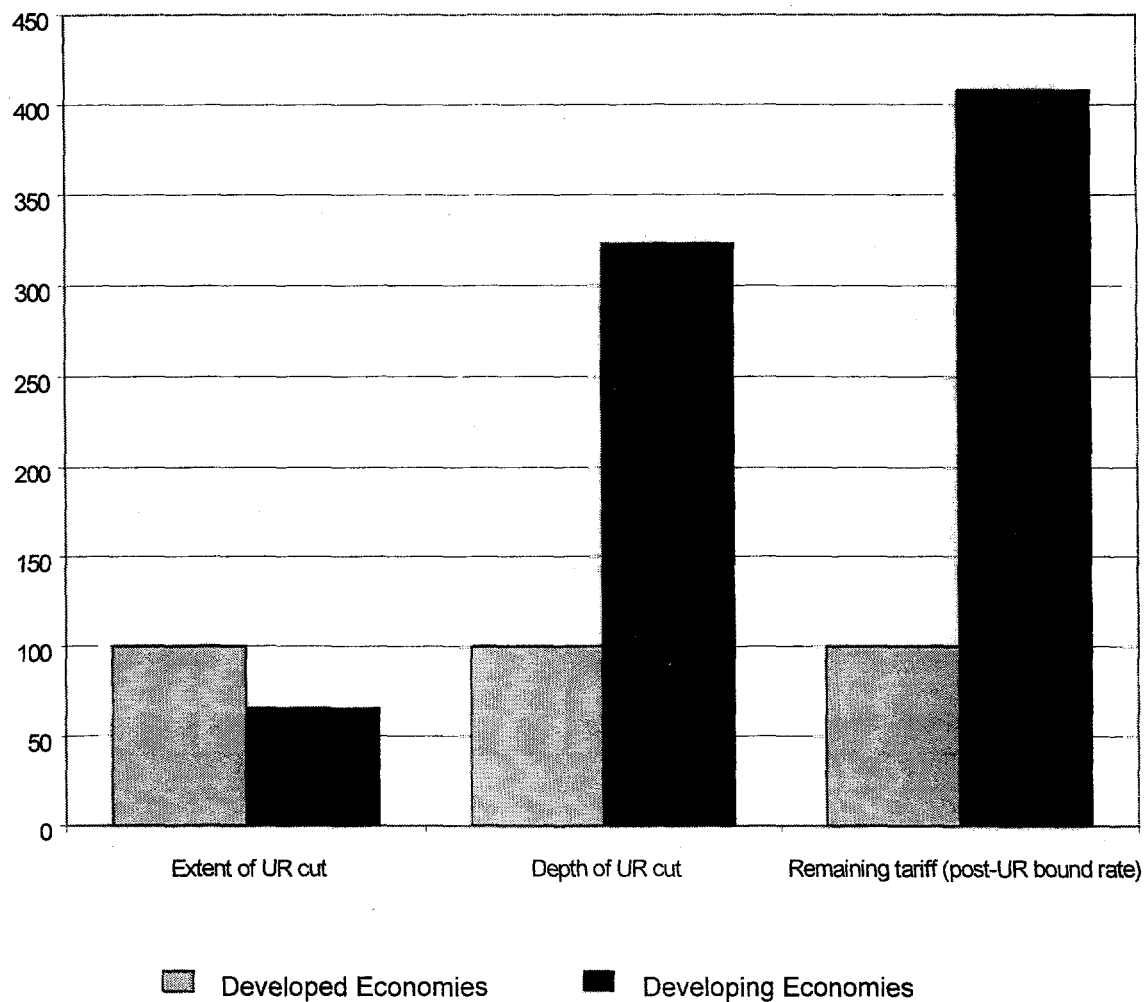
Notes:

^a Change measured as $dT/(1+T)$, expressed as a percentage. Tariffied products: change from the tariff equivalent of base period protection to final-UR bound rate. Untariffied products: change from base period applied rate to the lower of base period applied rate and final-UR bound rate.

^b Ad valorem equivalent based on 1986-1988 prices.

Source: Finger-Ingco-Reincke, Tables G2.

CHART A1: COMPARISONS OF EXTENT AND DEPTH OF UR TARIFF CONCESSIONS ON AGRICULTURAL PRODUCTS, OF POST-UR BOUND RATES BY DEVELOPED AND BY DEVELOPING ECONOMIES



5. ANTIDUMPING

The Uruguay Round Antidumping Agreement (formally, Agreement on Implementation of Article VI of the GATT 1994) adds considerable detail, e.g.:

- specificity has been added on the required evidence and methodology for determining dumping and injury,
- rules regarding support from domestic industry of the antidumping claim are now spelled out,
- procedural rules for hearing both sides and the time frame of investigations have been tightened,
- a "de minimis" clause (specifying that the dumping margin has to be at least 2 percent) have been added,
- notification requirements are explicit,
- a sunset clause and requirement for review have been added.

DEVELOPING ECONOMIES BECOME MAJOR USERS

The use of antidumping has spread significantly from the five original industrial country users (Australia, Canada, the EU, New Zealand and the US). In a first wave, a number of advanced developing countries including Mexico, Brazil and Argentina starting using antidumping in the late 1980s. More recently, many smaller and poorer developing countries have sporadically taken recourse to antidumping, so that the total number of countries which have used this means of trade protection now exceeds 30. The use of antidumping per dollar of imports is notably higher among developing economies than among developed economies.

Among the traditional users of antidumping, the number of initiations has declined since the Uruguay Round Agreements have been in effect, i.e., since January 1, 1995. The filing of a number of antidumping cases by the US steel industry at the time of this writing (March 1999) may however reverse the decline in the United States. Among new users, for which data are available – Argentina, Mexico, Korea and Turkey report an increase in the number of tariff lines the trade covered by antidumping measures. Among the developing economies for which data are available, only Brazil applies antidumping measures to a declining share of tariff lines (Michalopoulos, 1999). Table AD1 along with Charts AD1 and AD2 illustrate the development of antidumping investigations over the 1991–98 period.

Table AD2 contains the countries most frequently affected by antidumping cases between 1992-94 and 1995-97. China has been targeted most frequently during both periods. The United States, one of the most frequent users of antidumping, is also one of the most targeted countries, second after China and targeted more than twice as often as Japan. After China and the US, Korea and Brazil were the main targets during the early 1990s; while Korea, Germany and Taiwan attracted the most investigations in the latter period. Industrial countries mostly target other high income and transition countries, with less than one quarter of the investigations involving developing countries (and about half of those, China). Developing countries by contrast initiate an almost equal share of investigations against either of the three country groups (Miranda, Torres and Ruiz, 1998). As to sectoral distribution, we find that producers of base metals, chemicals, machinery, electrical equipment, plastics and textiles frequently seek antidumping protection.

UNDERTAKINGS, MAGNITUDE OF ANTIDUMPING MEASURES

The share of initiated investigations (Table AD3) that lead to a restrictive outcome (provisional measures and affirmative findings) tend to be similar among all the countries in the table – except Australia, where the proportion of cases there that lead to restrictive outcomes, particularly restrictive final outcomes, is notably below the figure for any other country.

Another important dimension of such protection is the use of price undertakings (exporters agreeing to maintain minimum export prices) versus tariffs. For lack of time-series data, we did a tabulation for seven of the main antidumping users for 1997. In this year, only Korea and the EU report a significant share of final measures being price undertakings (Table AD4). In Korea this share exceeds 50 percent, and in the EU 20 percent. In the other 5 countries for which data was readily available, 98-100 percent of final measures consisted of duties.

While the trade coverage of antidumping is small, the level of tariffs applied on average is quite high and has in some instances reached several hundred percent. The last column of Table AD4 provides average duties imposed as part of final measures in the same seven users in 1997. Colombia applies the highest average tariff of 60 percent and Korea the lowest of 28 percent. Four of the other countries apply average rates of 30 to 40 percent. This is very high compared to "normal" average tariffs of about 4 percent on industrial products in developed economies, 8 percent to 12 percent in developing economies. The EU's 40 percent for 1997 are also much higher than the 23 percent applied for the 1980-87 period (Messerlin, 1989).

Because of the sunset clause in the Uruguay Round Agreement, reviews of measures already in place make up an increasing share of investigations. In the EU, 79 out of 190 investigations have been reviews in the 1995 - 1998 period, in the US 116 reviews of measures in place when the Uruguay Round agreements came into effect were conducted in 1998.

WTO DISPUTES OVER ANTIDUMPING CASES

A variety of disputes regarding procedures, standards for initiating and conducting investigations, as well as substantive elements necessary for imposing duties are emerging. The recent dispute between Guatemala and Mexico on Portland cement has illustrated that the procedural and technical requirements to conduct an antidumping investigation consistent with WTO rules are quite stringent. Many developing countries are likely to find it difficult to meet these requirements and may find themselves increasingly challenged, especially by the high-income countries. Developing economies have not been reluctant to challenge antidumping actions by the developed economies: Korea's case against the US on D-Ram and India's dispute with the EU on unbleached cotton fibers are examples.

The real test of the use or abuse of antidumping, however, may still be lying ahead. In recent years, the world economic climate has been quite favorable, and previous studies have shown that the use of antidumping is strongly correlated with the business cycles (see, e.g., Leidy, 1996). The slowdown in economic growth since the outbreak of the Asian crisis could, with a lag, lead to a rebound in antidumping measures and more retreats in market access commitments. The saber-rattling in the US and the considerable increase in cases by several countries in 1998 are, we hope, a transitory phenomenon.

ANTIDUMPING AS AFFECTED BY THE ASIAN CRISIS

One could hypothesize that the Asian crisis would change the pattern of user and target countries for antidumping. As to the Asian countries affected, each experienced a marked currency devaluation, which is likely to reduce import competition and hence pressures for protection. Consistent with this, we found that the five Asian countries affected by crisis initiated fewer new cases but became the target of investigations more often in 1998 as compared to 1997. Korea and Malaysia which had used antidumping to a moderate extent in 1996/97 almost stopped initiating new investigations in 1998. Indonesia continued using antidumping to some degree while Thailand and the Philippines had never been very active users.

As to antidumping initiations against the Asian crisis countries, there is no uniform development although some increase has probably taken place. The US and South Africa increased the number of antidumping investigations against South East Asia from 2 to 6 and from 2 to 9 respectively. The European Union, on the other hand, initiated only 4 new cases in 1998 (all of them against Korea) after 10 cases in 1997. Brazil and Mexico neither used antidumping in 1997 nor in 1998 against these countries. (Table AD5)

ANTIDUMPING CASES IN SECTORS WITH NOTABLE LIBERALIZATION

It could be hypothesized that sectors with disproportionately large liberalization would also report a stronger increase in antidumping cases since the end of the Uruguay Round. However, there is little evidence of this for four of the main user countries. In India use of antidumping has jumped since the end of the Uruguay Round, but it is not obvious that there is a correlation between new antidumping cases and sectoral liberalization. Disproportionate liberalization in wood products (EU, Australia) and in textiles/clothing/footwear (EU) may be responsible for an increase in antidumping claims in these two sectors. (Table AD6)

TABLE AD1: ANTIDUMPING INITIATIONS BY ECONOMY TAKING ACTION

Economy	Number of antidumping initiations		Index of antidumping initiations per dollar of imports, USA=100 ^{a/}
	1991-94	1995-98	
Developed Economies			
Australia	213	77	1096
Canada	84	39	199
EU	135	122	210
US	226	94	100
All developed economies	678	353	74
Developing Economies			
Argentina	59	72	2627
Brazil	59	54	871
India	15	78	1875
Korea	14	34	204
Mexico	127	31	275
South Africa	16	72 ^{b/}	2324
All developing economies	394	509	313

Notes:

^{a/} Based on numbers of antidumping initiations 1995-98 and values of merchandise imports for 1996.

^{b/} 1995-97 figure.

Source: WTO Secretariat, Rules Division; Antidumping Measures Database

TABLE AD2: ANTIDUMPING INITIATIONS BY EXPORTING ECONOMY

Economy	Number of antidumping initiations		Index of antidumping initiations per dollar of exports, USA=100
	1992-94	1995-97	
Developed economies			
France	26	8	34
Germany	35	30	70
Italy	16	16	77
Japan	32	23	67
UK	20	16	74
US	70	48	100
Developing economies			
Brazil	50	23	585
China	115	94	751
India	24	21	779
Korea	50	40	385
Taiwan	31	30	323
Thailand	26	21	451

TABLE AD3: SHARE OF COMPLETED INVESTIGATIONS RESULTING IN PROVISIONAL AND DEFINITIVE MEASURES, 1987-1997

	Number of Completed Investigations	Proportion provisional measures	Proportion affirmative outcome
United States	423	83	64
Canada	186	83	63
EC	308	55	60
Korea	43	58	58
New Zealand	54	39	57
Mexico	182	63	53
Argentina	94	48	51
Brazil	75	41	43
South Africa	62	48	42
Australia	408	53	29

Source: WTO Secretariat, Rules Division; Antidumping Measures Database

TABLE AD4: ANTIDUMPING DUTIES VS. PRICE UNDERTAKINGS, 1997

	Share of affirmative decisions ending in duty (in %)	Share of affirmative decisions ending in price undertakings (in %)	Average duty in 1997 ^{a/}
Canada	98.0	2.0	34.1
Colombia	100.0	0.0	60.3
EC	79.5	20.5	40.4
Korea	46.7	53.3	27.9
Mexico	100.0	0.0	53.7
South Africa	100.0	0.0	34.1
US	99.4	0.6	30.5

Source: WTO Rules Division; Antidumping Measures Database

^{a/} In percent; average all final measures per country in 1997; when a decision ended in a range of duties, the mean value was taken.

TABLE AD5: ANTIDUMPING INITIATIONS AGAINST SOUTH-EAST ASIAN COUNTRIES IN 1997 AND 1998

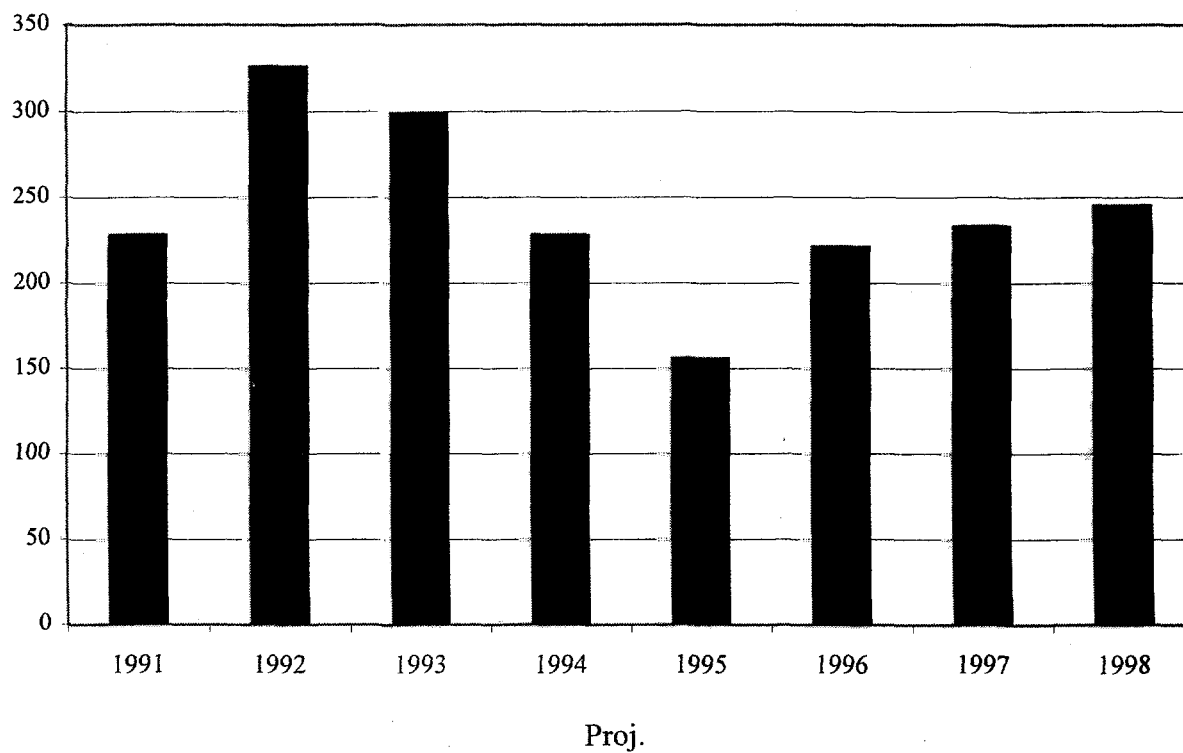
	Korea		Indonesia		Thailand		Philippines		Malaysia		Total	
	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998	1997	1998
EU	4	4	1	0	2	0	0	0	3	0	10	4
US	2	4	0	2	0	0	0	0	0	0	2	6
Brazil	0	0	0	0	0	0	0	0	0	0	0	0
India	1	3	0	0	0	0	0	0	1	0	2	3
Mexico	0	0	0	0	0	0	0	0	0	0	0	0
South Africa	2	5	1	1	0	0	0	0	1	3	4	9

Source: WTO Secretariat, Rules Division; Antidumping Measures Database

TABLE AD6: ANTIDUMPING CLAIMS BY SECTORS WITH ABOVE AVERAGE LIBERALIZATION, SELECTED COUNTRIES

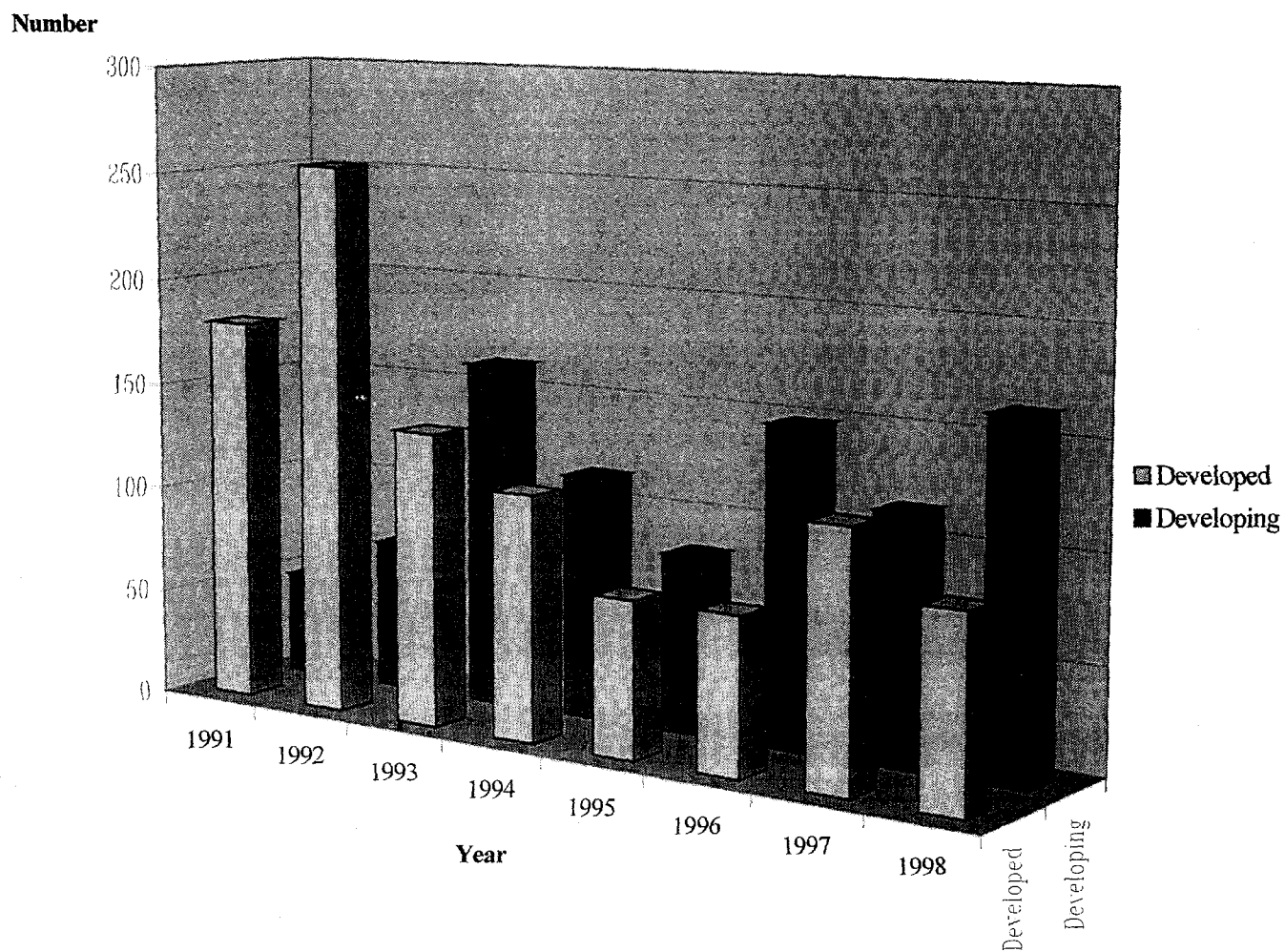
	1992	1993	1994	1995	1996	1997	1998
United States							
metals	68	15	33	4	8	11	13
chemicals	9	12	7	0	6	0	0
other manufacturing	0	2	2	0	0	0	0
textiles/clothing	0	0	0	0	0	0	0
European Union							
wood	1	0	0	1	0	7	0
metals	9	5	10	7	11	3	15
chemicals	13	5	6	3	0	6	0
machinery	13	7	4	10	0	14	0
other manufacturing	0	0	0	0	0	0	0
textiles/cloth/footwear	1	1	17	6	10	8	6
India							
wood	0	0	0	3	0	0	...
text/clothing	0	0	0	3	0	9	...
metals	0	0	3	0	3	3	...
chemicals	1	5	2	1	4	8	...
machinery	0	0	0	8	0	6	...
Australia							
wood	0	8	0	0	0	14	1
metals	2	3	2	0	0	2	0
machinery	2	4	0	1	1	1	0

CHART AD1: ANTIDUMPING –TOTAL NUMBER OF INITIATED INVESTIGATIONS, ALL WTO MEMBERS



Source: WTO Rules Division; Antidumping Measures database

CHART AD2: NUMBERS OF ANTIDUMPING INITIATIONS BY DEVELOPED AND BY DEVELOPING ECONOMIES



SUBSIDIES, COUNTERVAILING DUTIES

Like the antidumping rules, the GATT rules on subsidies and countervailing duties were superseded by a comprehensive Uruguay Round Agreement. The Subsidy Agreement distinguishes three types of subsidies. Subsidies contingent upon export performance or on the use of domestic over imported inputs are prohibited. They can lead to both countervailing duties and a dispute settlement case. Subsidies not specific to an enterprise or industry are considered "non-actionable." They can not be subject to countervailing duties or dispute settlement challenges although they can be brought to the Committee on Subsidies and Countervailing Measures if they result in serious adverse effects in another country. All other subsidies are "actionable", i.e., they may be subject to multilateral dispute settlement challenge or to countervailing action if they adversely effect another WTO Member.

Industrial countries had to phase out prohibited subsidies by 1998. Least developed countries have until 2003 to eliminate subsidies contingent on the use of domestic inputs, but are not required to eliminate export subsidies. Other developing countries must eliminate subsidies contingent on the use of domestic inputs by 2000, export subsidies by 2003. Special Provisions for transition economies are more complex, involving a requirement that prohibited subsidies be phased out by 2002, but at the same time providing some lee way to apply programs and measures necessary for transformation from a centrally-planned to a market, free-enterprise economy.

Like in antidumping, the subsidy agreement added considerable specificity on procedures and criteria for a countervailing duty investigation. The agreement also requires that countries notify their specific subsidies (as defined under the Subsidy Agreement) on an annual basis, and countervailing duty activities on a semi-annual basis.

USE OF COUNTERVAILING DUTIES

There are two notable developments in the use of countervailing duties:

- Overall use has declined considerably since the end of the Uruguay Round, with much of this decline due to the absence of steel cases,
- The EU has become a user of countervailing measures since 1996 after hardly having used this instrument before.

The 1992 to 1994 period saw 137 cases with the US, Australia, Brazil and Mexico being the principal users (Table CV1). The European Community and its individual members, Brazil and South Africa were the main targets of countervailing duty cases for that period. Since the Uruguay Round agreements have come into force, the number of initiations has declined drastically. The 1995-1997 period witnessed only 33 cases, one quarter of the cases during the preceding 3 years. Apart from the US, the EU and New Zealand have become the main users of this provision, with EU countries and South Africa remaining the main targets (Table CV2). Although 1998 data are incomplete at the time of this writing, there are indications that the number of cases will be near the annual rates of 1992-95; considerably higher than the low rates in 1995-97.

Data on the trade coverage of countervailing cases is very limited. The US reports that cases initiated over the past 10 years (1988-1997) affected only 0.7 percent of total US imports. This is a decline by 50 percent compared to the 1984-94 period, when 1.4 percent of imports were affected (US ITC, 1998). We mentioned above that the EU does not report trade coverage

of countervailing cases separately from antidumping. However, given that the first EU countervailing case of the 1990s was brought about in 1996 and only 9 cases were reported for 1996/98, trade coverage should be very small. The 4 cases from 1998, for example, affected trade of US\$ 140 million.

Data on the share of decisions leading to duties versus undertakings and on the average tariff rates are also scarce, but available data for two countries suggest that countervailing duties are much lower than antidumping duties. New Zealand reports two decisions leading to duties and price undertakings, each with an average duty of 7.5 percent. The US notified over 80 percent of decisions leading to duties, and average tariffs only average 4.2 percent.

There were a number of conflicts over the application of the Subsidy Agreement and the use of countervailing duties during the 1995-98 period. With respect to multilateral challenges to subsidies applied by Members, the only adopted dispute settlement panel report (by March 1999) in this area on Indonesia's national car program was decided in favor of the plaintiff, the EU. However, a number of other subsidies panels are ongoing as of this writing, mostly dealing with subsidies that the plaintiff interprets to be in the prohibited category. There are also in process a number of cases on the application of countervailing measures.

Notifications regarding subsidies and countervailing duties seem to be provided relatively regularly. However, developing countries report subsidy data much less frequently, and all subsidy notifications are frequently late and incomplete.

There are no firm plans for new negotiations in this area, but some challenges remain. Given the upcoming deadlines to bring Members' subsidy schemes in line with WTO rules, there is considerable concern about developing and transition countries' ability to meet these deadlines.

TABLE CV1: NUMBERS OF INITIATIONS OF COUNTERVAILING DUTY INVESTIGATIONS, BY INITIATING MEMBER

Country	Number of initiations by country	
	1992-94	1995-97
Argentina	4	3
Australia	19	1
Brazil	23	0
Canada	2	3
Chile	8	0
EU	0	5
Mexico	16	1
New Zealand	0	6
USA	60	10
Other	5	4
Total	137	33

Source: WTO Secretariat, Rules Division; Countervailing Measures Database

TABLE CV2: NUMBERS OF INITIATIONS OF COUNTERVAILING DUTY INVESTIGATIONS, BY AFFECTED (EXPORTER) MEMBER

Country	Number of initiations against country	
	1992-94	1995-97
Brazil	13	1
Canada	4	2
EC	12	5
Germany	6	1
India	4	4
Italy	6	6
South Africa	10	3
US	7	1
Venezuela	5	1
Other	70	9
Total	137	33

Source: WTO Secretariat, Rules Division; Countervailing Measures Database

6. SAFEGUARDS

The Agreement on Safeguards specifies the rules for the application of Article XIX emergency action measures. Under the agreement, action can be taken against imports only a determination of "serious" injury caused or threatened to be caused by imports.³⁷ Either quantitative restrictions or duty increases beyond bound rates are allowed, but measures are time bound and must be progressively reduced. The need to make compensation and the right of exporters to retaliate can be avoided by keeping the restrictive measure within certain parameters.³⁸ This restriction on compensation-retaliation was intended to make the use of safeguards measures more attractive, and aims at preventing the re-emergence of voluntary export restraints or orderly marketing arrangements. The agreement also requires that existing safeguard measures be notified and phased out according a schedule similar to the sunset provision that applies to new measures.

There has been a minor increase in cases since the Uruguay Round agreement came into effect, but safeguards remain an infrequently used trade remedy – only 19 safeguard investigations initiated 1995-97 as compared with 33 countervailing duty investigations and over 600 antidumping initiations.³⁹ (Table SG1)

Total imports affected by investigations amounted to about 2 billion US\$ between 1995 and 1998, or about one quarter of one percent of annual imports of the countries initiating investigations.⁴⁰ Two of the eight cases which have been decided affirmatively resulted in a quantitative restriction, the other six in tariffs. Import quotas were allocated in both cases on the basis of previous relative import shares. Four cases were terminated or ended in a negative decision, and four decisions were outstanding at the time of this writing.

Our findings on safeguards confirm earlier findings that market access retreats through existing provisions have so far been limited. At the same time, the new UR Agreements have been successful in curtailing protection outside the multilateral framework. Between 1995 and spring 1999, there have been no complaints that the prohibition of gray area measures under Article 11 of the SGA has been violated. Anticipation that degressive and time-bound safeguard measures would replace antidumping as an instrument for dealing with specific import problems has not been have been realized.

³⁷ There seems to be a legal consensus that "serious injury" is a somewhat higher level of injury than "material injury" as specified under antidumping and countervailing duty rules. The difference is however difficult to isolate in an accounting or economic sense.

³⁸ The conditions are provided in the WTO homepage under www.wto.org/WTO/goods/safeguar.htm.

³⁹ Finger (1998) demonstrates that the various trade remedies the GATT/WTO permits are quite fungible.

⁴⁰ The five cases by the US covered in total about 0.15 percent of US annual imports, the two cases by Argentina covered 1 percent of Argentine imports.

TABLE SG1: SAFEGUARD INVESTIGATIONS INITIATIONS, 1991-1998

Country	1991	1992	1993	1994	Total 1991-94	1995	1996	1997	1998	Total 1995-98
Argentina					0			1	1	2
Australia					0				1	1
Austria	1		1		2					0
Brazil					0		1			1
Canada			1		1					0
Czech & Slovak	1				1					0
EEC	3		1		4					0
Egypt					0				1	1
Hungary		3			3					0
India					0			1	5	6
Korea					0	1	2			3
USA					0	1	2	1	1	5
All countries	5	3	3	0	11	2	5	3	9	19

TABLE SG2: SAFEGUARD MEASURES, SINCE 1/95

Notifying Member	Type of Product concerned	Import Value, Year prior to Investigation (Million US \$) 1/	Share of Total Merchandise Imports (%)	Initiation of Investigation (Year)	Outcome of Injury Investigation	Type of Measure & Quantification /2	
Argentina	Footwear	116.6	0.49	1997	affirmative	Tariff	4.96 \$ per pair (average), 4.04 \$ per pair (average)
	Toys	155.1	0.51	1998	ongoing		
Australia	Swinemeat	27.6	0.04	1998	affirmative		...
Brazil	Toys	133.1	0.25	1996	affirmative	Tariff	43%,29%,15% plus 20% regular tariff
Egypt	Safety matches	1.7	0.01	1998	affirmative	Tariff	34%,22%,11% plus 30% regular tariff
India	Acetylene black	...	...	1997	affirmative	Tariff	18% up to Re 12,950/metric tonne, 5% up to Re 8,830/metric tonne /3
	Carbon black	24.5	0.07	1998	affirmative	Tariff	10%
	Slabstock polyoi	13.1	0.04	1998	ongoing		
	Propylene glycol	3.4	0.01	1998	ongoing		
	Hardboard	0.2	0.00	1998	negative		None
	Styrene butadiene rubber	...	...	1998	terminated on 01.05.98		None
Korea	Soybean oil	...	...	1995	affirmative		None
	Dairy Products	69.4	0.05	1996	affirmative	Import Quota	rising from 55.6 to 65.2 % of pre-investigation imports
	Bicycles & parts	38.9	0.03	1996	affirmative		None
USA	Tomatoes	191.9	0.03	1995	negative		None
	Brooms	12.1	0.00	1996	affirmative	Tariff	33%,32.5%,32.1% from 32% current bound rate
	Tomatoes & peppers	843.1	0.10	1996	negative		None
	Wheat gluten	90.5	0.01	1997	affirmative	QR	...
	Lamb meat	123.5	0.01	1998	ongoing		
		Total 1,844.7	Average across countries 0.24				

Source: Notifications submitted by Member Countries to the WTO Committee on Safeguards.

1/ the year closest to the initiation of the investigation was chosen, in most cases this was the year prior to it.

2/ more than one figure for one measure describes the steps of progressive liberalization.

3/ a duty charged up to a maximum of value (Re) per quantity (metric tonnes).

7. SERVICES

Since the Uruguay Round, the multilateral trading system includes disciplines and liberalization commitments covering trade in services. Although experts who have reviewed the outcome of the negotiations have concluded that the first round of services negotiations did not result in far-reaching trade liberalization, they also point out that the importance of bringing services under the multilateral umbrella of the WTO should not be underestimated (Snape, 1998; Hoekman, 1996). In most countries, at least half of GDP is generated in the services sectors and the share is increasing. At the same time less than one quarter of world trade, as reported in countries' balance-of-payments, is in services; 60 percent of which falls under tourism and transport. Low, Mattoo and Schuknecht (1999) show that trade-openness in most services sectors is still much lower than in merchandise trade, and further technical progress and market opening could hence create enormous new trading opportunities.

THE AGREEMENT

The rights and obligations of WTO Members regarding services trade are specified in the General Agreement on Trade in Services (GATS). Many GATS obligations parallel those of the GATT, although there are important structural differences between the two agreements. National treatment, for example is an unconditional obligation under GATT but negotiable under the GATS. It applies only to sectors that a country itself specifies in its schedule of commitments and can be made subject to limitations even in these cases. Moreover, the GATS permits exempting measures from the most-favored-nation treatment for limited periods.⁴¹ The GATS, like the GATT, provides for the withdrawal of commitments for Balance-of-Payment reasons (Article XII), and under general exceptions (Article XIV). It contains a broad carve-out for prudential reasons in financial services (Annex on Financial Services) and establishes a framework for modifications of schedules (Article XXI). In some areas, negotiations on the need for and possible content of specific rules are still ongoing (see also Croome, 1996 and 1998).

Like the tariff agreements under the GATT, the GATS provides no special monitoring system for Members' compliance to their commitments. The small number of complaints and conflicts brought to the Services Committee and the Dispute Settlement Body suggest that compliance is so far not a big problem. Early dispute settlement cases have however helped to establish important principles. The banana case against the European Union, for example, established that GATS commitments must not be impaired indirectly – in the bananas case, through the application of trade measures on goods that would otherwise be allowed.

LIBERALIZATION

The GATS schedules of commitments are structured along three dimensions; (i) sector,⁴² (ii) type of commitment (essentially market access and national treatment), and (iii) mode of supply. Unlike the GATT, the GATS covers not only cross-border trade (mode 1) but also consumption abroad (mode 2), foreign commercial presence (mode 3), and the movement of

⁴¹ Slightly more than half of the WTO membership has used this possibility and annexed MFN exemptions to their schedules.

⁴² Members in making commitments for specified sectors usually followed from a nomenclature prepared to facilitate negotiations. That nomenclature divides services activities into some 160 sectors.

natural persons (mode 4).⁴³ GATS commitments are based on a positive list, i.e., apply only to sectors explicitly listed in schedules. A country that makes a commitment for a sector for a type of commitment say, national treatment, may however put limitations on that commitment. Country schedules vary from one page covering one subsector to more than 100 pages covering most services sectors. Malaysia, for example, has made commitments in the largest number of sectors (over 130), and another 30 countries have made commitments in over 100 sub-sectors. Almost all WTO Members have made commitments in tourism, but only 10 regarding rail services.

Tables S1 and S2 present a tally of Members' commitments under the most frequently used modes of delivery, mode 1 (cross border) and mode 3 (commercial presence).⁴⁴ The table lists the numbers of countries that have made national treatment and market access commitments in the most important service sectors. The information in Tables S1 and S2 is summarized in Tables S3 and S4.⁴⁵ We see in Table S3 that across all of the sectors, developing economies agreed to allow unlimited cross-border market access to foreign sellers in only 8 percent of the country-sector possibilities. Developed economies were even less forthcoming, granting full cross-border access in only 7 percent of the country-sector possibilities. There are even fewer unrestricted commitments to allow foreign sales through a foreign commercial presence. Overall, there were slightly more commitments to allow unqualified national treatment to foreign sellers.

While Table S3 asks how many countries granted unrestrained access to foreign sellers, Table S4 asks how many countries granted at least some access, e.g., allowed foreign commercial presence but limited the size of the foreign establishment, allowed cross-border access to some forms of banking deposits but not to others. By this standards, the Uruguay Round outcome is more optimistic. The developed economies accepted some cross border access in more than 2/3 of the instances, and agreed to allow some form of foreign commercial presence in almost all sectors. Developing economy commitments were more restricted, allowing some form of cross-border market access in about 1/4 of instances, allowing some foreign commercial presence and some dimensions of national treatment for foreign establishments in about 1/3 of the tabulated instances.

The obvious message is that the agreement provides a substantial start toward opening international markets for services, but nearly all liberalization commitments are qualified in some way, especially commitments by developing economies.

⁴³ Examples: tourist travel abroad (mode 2), buying an insurance policy from a foreign-owned but domestically established branch office (mode 3), and the temporary contract for a business consultant abroad (mode 4). Trade statistics comparing trade across modes are limited and it is often difficult to pin down just what available statistics describe. Based on information available for the US, mode 3 trade (sales by foreign branches of US companies) in financial, insurance and recreational services is considerably larger than mode 1 trade (purchases by foreigners from a US-located source). In business services, trade in the two modes is about equal. Only in telecom services does mode 1 trade – trade across borders – appear to be larger than the corresponding mode 3 trade (Low, Mattoo and Schuknecht, 1999).

⁴⁴ Mode 2 appears less important in many areas (except tourism) and commitments there often mirrors mode 1 commitments. Mode 4 (movement of natural persons) commitments are very limited for all countries.

⁴⁵ As to how the summary tables were constructed, the category "Professional Services" in Tables S1 and S2 includes four sectors. Our tabulation covers 105 developing economies and 26 developed economies, hence in Table S3 in the first line, there were a possible total of (a) 105 developing economies times 4 sectors, or 420 access commitments by developing economies and of (b) 26 developed economies times 4 sectors, or 104 access commitments by developed economies.

What challenges do these findings pose? Article XIX of the GATS sets January 1, 2000 as the deadline to start new negotiations in services. Given the relatively limited liberalization commitments, negotiations should focus on improving market access conditions (Croome, 1998). Liberalization across all sectors, countries and modes should open up considerable new trading opportunities.

Some further development of GATS rules is already mandated in the Agreement itself, and more may be necessary. Effective disciplines on domestic regulation as embedded in professional qualifications, licensing requirements, and technical standards may also be an important issue to prevent such measures from being unnecessarily trade distortive. Furthermore, regulatory principles aiming at effective competition and independent regulatory oversight as agreed for the basic telecom sector, could be a precedent for other sectors where previous monopolies are gradually exposed to competition.

Finally, it is worthwhile mentioning that the trade potential in services is not only constrained by trade policies in many developing countries. A weak services infrastructure and problems in identifying export opportunities can also be a severe obstacle to services trade development. Nevertheless, it is likely that trade liberalization in conjunction with technical progress (e.g. electronic commerce) will much expand services trade and the boundary of what is tradable in the future (Bacchetta, Low, Mattoo, Schuknecht, Wager and Wehrens, 1998).

TABLE S1: MODE 1 COMMITMENTS IN SELECTED SERVICES SECTORS

Activity	Commitments: Developing economies 1/						Commitments: Developed economies 2/					
	Market access			National treatment			Market access			National treatment		
	Full	Partial	None	Full	Partial	None	Full	Partial	None	Full	Partial	None
Professional services	Number of countries						Number of countries					
Legal	7	17	81	9	14	82	1	24	1	1	24	1
Accounting	12	13	80	15	10	80	4	21	1	4	21	1
Medical and dental	10	9	86	14	6	85	3	2	21	4	1	21
Total, professional services	29	39	247	38	30	247	8	47	23	9	46	23
Communication services												
Voice telephone	3	42	60	10	33	62	3	22	1	5	20	1
Private leased circuit	3	36	66	15	22	68	3	22	1	5	20	1
Electronic mail	11	23	71	22	12	71	4	22	0	4	22	0
Total, communications services	17	101	197	47	67	201	10	66	2	14	62	2
Distribution services												
Wholesale	8	6	91	8	7	90	1	24	1	13	12	1
Retail	5	6	94	5	6	94	2	23	1	1	24	1
Total, distribution services	13	12	185	13	13	184	3	47	2	14	36	2
Financial services												
Non-life insurance	13	17	75	18	13	74	0	4	22	0	4	22
Depositing	16	11	78	19	9	77	0	4	22	0	4	22
Lending	12	16	71	17	12	70	0	15	85	0	15	85
Trading in securities	13	17	75	18	13	74	0	4	22	0	4	22
Total, financial services	47	63	310	62	47	311	1	37	66	2	36	66

Source: WTO Secretariat

1/ Total of 105 Members

2/ Total of 26 Members

TABLE S2: MODE 3 COMMITMENTS IN SELECTED SERVICES SECTORS

Activity	Commitments: Developing economies 1/						Commitments: Developed economies 2/					
	Market access			National treatment			Market access			National treatment		
	Full	Partial	None	Full	Partial	None	Full	Partial	None	Full	Partial	None
	Number of countries						Number of countries					
Professional services												
Legal	2	26	77	7	21	77	0	24	2	0	24	2
Accounting	4	36	65	15	24	66	1	25	0	3	23	0
Medical and dental	8	21	76	16	12	77	0	16	10	1	16	9
Total, professional services	14	83	218	38	57	220	1	65	12	4	63	11
Communication services												
Voice telephone	4	46	55	8	39	58	0	25	1	2	23	1
Private leased circuit	2	39	64	13	24	68	0	25	1	2	23	1
Electronic mail	3	32	70	20	14	71	1	25	0	3	23	0
Total, communications services	9	117	189	41	77	197	1	75	2	7	69	2
Distribution services												
Wholesale	6	14	85	6	13	86	0	25	1	0	25	1
Retail	2	15	88	3	15	87	1	24	1	0	25	1
Total, distribution services	8	29	173	9	28	173	1	49	2	0	50	2
Financial services												
Non-life insurance	5	40	60	9	34	62	0	26	0	0	26	0
Depositing	11	44	50	13	42	50	1	24	1	0	25	1
Lending	11	41	53	11	41	53	1	24	1	0	25	1
Trading in securities	8	37	60	6	39	60	1	25	0	0	26	0
Total, financial services	35	162	223	39	156	225	3	99	2	0	102	2

Source: WTO Secretariat

1/ Total of 105 Members

2/ Total of 26 Members

TABLE S3: PERCENTAGES OF DEVELOPING AND OF DEVELOPED ECONOMIES THAT GAVE FULL MARKET ACCESS OR FULL NATIONAL TREATMENT COMMITMENTS ON SELECTED SERVICE SECTORS

	<u>Market Access</u>		<u>National treatment</u>	
Cross border provision (Mode 1)	Developing Economies	Developed Economies	Developing Economies	Developed Economies
Professional services	9	10	12	12
Communication services	5	13	15	18
Distribution services	6	6	6	27
Financial services	11	1	15	2
All selected sectors	8	7	13	13
	<u>Market Access</u>		<u>National treatment</u>	
Commercial presence (Mode 3)	Developing Economies	Developed Economies	Developing Economies	Developed Economies
Professional services	9	10	12	12
Communication services	5	13	15	18
Distribution services	4	2	4	0
Financial services	8	3	9	0
All selected sectors	5	2	10	4

Source: Tabulated from Table S1.

TABLE S4: PERCENTAGES OF DEVELOPING AND OF DEVELOPED ECONOMIES THAT MADE SOME MARKET ACCESS OR SOME NATIONAL TREATMENT COMMITMENTS ON SELECTED SERVICE SECTORS

	<u>Market Access</u>		<u>National treatment</u>	
Cross border provision (Mode 1)	Developing Economies	Developed Economies	Developing Economies	Developed Economies
Professional services	22	71	22	71
Communication services	37	97	36	97
Distribution services	12	96	12	96
Financial services	26	37	26	37
All selected sectors	25	70	25	70
	<u>Market Access</u>		<u>National treatment</u>	
Commercial presence (Mode 3)	Developing Economies	Developed Economies	Developing Economies	Developed Economies
Professional services	22	71	22	71
Communication services	37	97	36	97
Distribution services	18	96	18	96
Financial services	47	98	46	98
All selected sectors	36	94	35	95

Source: Tabulated from Table S2.

8. SUMMARY FINDINGS

The Uruguay Round was the biggest market access round ever. Measured across its coverage of access to markets for merchandise, its tariff reductions – when the 1997 agreement on information technology products is included – exceeds the approximately 35 percent shares of world imports covered by the Kennedy and Tokyo Rounds. In addition, the Uruguay Round agreement eliminated VERs and made significant progress to eliminate developed economies' quantitative restrictions on imports of textiles and clothing and all economies' NTBs on imports of agricultural products.

TARIFF CUTS

Various reports of the round described the depth of the tariff cut as “one-third,” or even as “a forty percent cut.” When we take into account imports on which tariffs were not reduced (including those duty-free when the round began) and when we follow a formula for the tariff reduction that measures how much more an exporter will be able to retain from a dollar of expenditure by an importer, we come to more modest figures. Export sales to industrial countries will retain about 1 percent more than without the Uruguay Round cuts, exports sales to developing countries will retain about 2.3 percent more. Applied to 1997 world imports (excluding intra- trade area imports) of some 3.6 trillion dollars ($\$3.6 \times 10^{12}$) that comes to \$50 billion/year more for exporters.⁴⁶

Developing economies (except for some of the least developed countries) were full participants in the market access negotiations. Their tariff reductions covered as large a share of their imports as did those of the developed economies, their tariff cuts – when measured by how they will affect exporters' receipts – were deeper than those of the developed economies. The percentage of imports covered by GATT-bound rates is now almost as high for the developed economies as for the developed.

QUANTITATIVE RESTRICTIONS

The Uruguay Round safeguard agreement requires the phasing out of all existing safeguard (GATT Article XIX) measures and all VERs and other restraints that would not be legal under the Uruguay Round safeguard rules. Good evidence indicates that these measures are indeed on their way out. The safeguards agreement provides for notification of VERs, notification by exporting (i.e., constrained) countries as well as by importing countries. Except for Nigerian restrictions on grain and kaolin imports, for which no elimination date was specified, all notified restrictions will be eliminated by the end of 1999.

As to remaining NTBs of other forms (e.g., restrictive import licensing procedures, price control measures) a 1997 OECD survey of its members found such measures on a small percentage of tariff lines – 4 percent or lower for the OECD countries covered in the survey. A similar tabulation of NTB incidence among developing economies based on information from WTO Trade Policy Reviews indicates a wider range of NTB incidence among these countries. For Hong Kong and for Singapore, the tabulation found virtually no NTBs, for Brazil, India and Indonesia a relatively high number. The tabulation also indicates that Latin American countries

⁴⁶ $\$50 \times 10^9$.

that have undertaken major tariff reductions in the past 10 or 15 years have also significantly reduced their NTBs – e.g., Argentina and Chile.

Some quantitative restrictions remain. Those related to the protection of human, animal and plant health, to the application of industrial standards, or to trade in arms and munitions are clearly GATT-legal. Agreements on the application at the border of health and industrial standards will facilitate the policing of the temptation to use such measures as disguised forms of protection. A few countries maintain restrictive measures under GATT provisions that allow such to protect the balance of payments, but continuing negotiating pressure has significantly reduced the application of such measures.

TEXTILES AND CLOTHING

A major accomplishment of the Uruguay Round is an agreement to eliminate the Multi Fiber Arrangement and an accompanying bound commitment by countries that now apply import quotas sanctioned by the MFA to eliminate these restrictions. In addition, the developed economies agreed to tariff cuts on textiles that are deeper than those on other industrial products.

The dark side of this accomplishment:

- The agreement is written in such a way that the developed economies will be able to legally put off elimination of MFA restrictions until 2005. While the provision of four “stages” suggests that 33 percent of the agreed liberalization should have been in place by the end of 1997, in fact the US has eliminated only 1 percent of its MFA quotas, the EU 7 percent.
- Developed economies’ tariffs on textiles and clothing remain two to three times higher than their tariffs on other industrial goods.

The agreement provides for the application of “transitional safeguards” (MFA-like restraints) on products not under such restraint when the agreement came into effect, but the use of these has been minimal. Three different importing countries through April 1999 have applied a total of 35 such measures; but as of April 1999, only two of these had not been rescinded.

AGRICULTURE

The major accomplishment of the agriculture agreement is the creation of a “tariffs only” regime – the replacement of all NTBs by tariffs plus the binding of all agricultural tariffs (those that replace NTBs as well as those on products previously protected only by tariffs.) This conversion to tariffs was accompanied by reductions of import protection levels that were narrower in scope, but deeper than tariff reductions on industrial products. A special safeguards provision, applicable only to tariffed products, has been minimally used.

A close look at implementation suggests however that the public relations dimensions of the agriculture agreement may have outpaced the substance of liberalization. While the further use of NTBs is explicitly banned, the conversion formulas for setting tariffs “equivalent” to the NTBs they replaced were negotiating guidelines, not legal obligations.⁴⁷ Likewise, the often cited 36 percent cut by developed economies and 24 percent cut by developing economies were guidelines, not legal obligations – and could be made meaningless for tariffed products by the possibility of setting inflated tariff equivalents. Instances of such inflated tariff equivalents have

⁴⁷ Developing and developed economies alike were required to eliminate NTBs, but the negotiating guidelines allowed developing economies to apply ceiling bindings rather than tariffs equivalent to their NTBs.

appeared in the press, e.g., Japan has set a specific tariff⁴⁸ on rice that at present prices amounts to 1,000 percent, ad valorem. The post Uruguay Round tariff rates are lower than the tariff equivalent of pre- Uruguay Round protection for only 14 percent of products that underwent tariffication.

Perhaps the most illiberal element in the WTO agricultural regime is the use of tariff quotas to implement minimum access provisions. Except for rice imports by Japan and Korea, the tariff quota system has had little effect on the amount of trade, and it has preserved the old system of political bargaining over the allocation among exporters of restricted import access – managed trade, not liberalized trade.

The agriculture agreement provides for further negotiations, to begin in 2000. Unlike the textiles and clothing agreement, the agriculture agreement includes no binding commitment for further removal of restrictions.

ANTIDUMPING

In the mid 1980s to early 1990s antidumping became the most popular tool for governments seeking a GATT-legal means to accommodate a domestic industry that was clamoring for protection. With the significant strides toward liberalization achieved at the Uruguay Round, including the banning of VERs (the favored instrument the previous decade), there were fears that antidumping would be even more intensely used.

To now, fears of such a surge have not been realized. The number of antidumping measures introduced by the traditional users (Australia, Canada, EU, US) has been less since 1995 than it had been in the years just before. A number of developing economies have however become major users – over 30 WTO members have notified antidumping actions since the Uruguay Round Agreements came into effect. Argentina, Mexico, Brazil and India have become major users, with numbers of cases per dollar of imports considerably higher than the ratios for traditional users.

China is the most frequent target for antidumping actions, followed by the United States. Per dollar of exports, antidumping initiations against an economy are much higher against developing economies. Thus the generalization that describes tariffs can be extended to antidumping: it is disproportionately used by developing economies, it is disproportionately used against developing economies.

Where antidumping duties have been applied, they have provided a degree of protection much higher than what was taken away by Uruguay Round tariff reductions. Antidumping duties of 30 to 50 percent are common, many are higher. By comparison, reductions agreed at the Uruguay Round were in the range of 2 to 4 percentage points.

COUNTERVAILING DUTIES

WTO Members take countervailing measures more often than safeguard actions under Article XIX, but not nearly so often as they use antidumping to protect local producers – in 1992-98, some 2,000 antidumping investigations initiated, 200 countervailing duty investigations. The number of countervailing duty cases dropped sharply in the first three years the Uruguay Round Agreements were in force, but incomplete information indicates that in 1998

⁴⁸ Per kilo, rather than ad valorem.

the number of cases is back up to pre-1995 levels. The US is by far the largest user, more than 40 percent of initiations in the 1990s were by the US. Developing countries, particularly Brazil, Chile and Mexico, are other frequent users.

SAFEGUARDS

The major accomplishment of the safeguard agreement is that it has been successful in curtailing protection outside the multilateral framework. VERs that existed when the agreement came into effect have been phased out, and through March 1999, there have been no complaints that the prohibition of gray area measures has been violated. Some WTO Members hoped that in lifting the compensation requirement on time-bound and degressive safeguard measures, the agreement would make safeguard measures more user friendly and perhaps shift usage away from antidumping. This seems not to have occurred – in 1995-98, when there were almost 900 antidumping initiations, only 19 safeguard investigations were initiated. In only one of the seven countries initiating safeguard investigations did the cases cover as much as ½ of 1 percent of total imports.

Fourteen of the 19 safeguard initiations were by developing economies.

SERVICES

Since the Uruguay Round, the multilateral trading system includes disciplines and liberalization commitments covering trade in services. Although experts who have reviewed the outcome of the negotiations have concluded that the first round of services negotiations did not result in far-reaching trade liberalization, they also point out that the importance of bringing services under the multilateral umbrella of the WTO should not be underestimated. In most countries, at least half of GDP is generated in the services sector and the share is increasing. At the same time, less than one quarter of reported world trade is in services.

Overall, the Uruguay Round Agreements were a notable step toward opening world markets. Developing economies stepping forward as equal partners with the developing economies in working toward an open global trading system was an equally notable event. The Uruguay Round Agreements preserved and perhaps extended the provisions for imposing new trade restrictions, but so far resort to these provisions has been minimal. Since the entry into force of the Uruguay Round Agreements, use of traditional trade remedies – e.g., antidumping, countervailing duties – has been below rates in the decade before. Spread of use of antidumping to developing economies – the intensity of their use of this instrument, especially against imports from other developing economies – is however a matter of concern.

TABLE SF1: TARIFF CONCESSIONS AND LEVELS ON ALL MERCHANDISE, INDUSTRIAL GOODS, TEXTILES AND CLOTHING, AGRICULTURAL PRODUCTS – DEVELOPED ECONOMIES AND DEVELOPING ECONOMIES COMBINED

	Bindings, post Uruguay Round % of 1989 imports	Tariff reductions		Post Uruguay Round average tariff	
		Scope % of imports	Depth $dT/(1+T)$	Bound	Applied
All merchandise	97	30	1.2	7	4
Industrial goods	91	32	1.3	6	4
Textiles and clothing	80	53	1.6	12	10
All Agricultural products	100	25	2.6	24	14
Tariffied Agricultural Products ^a	100	14	4.2	32	25
Not tariffied agricultural products ^b	100	32	1.4	19	8

Notes:

^a Products protected before the Uruguay Round by NTBs – that were converted to tariffs.

^b Products protected before the Uruguay Round by tariffs – with no NTBs to convert.

TABLE SF3: POST URUGUAY ROUND TARIFF RATES DEVELOPED ECONOMIES AND DEVELOPING ECONOMIES –PERCENT AD VALOREM

	Bound		Applied	
	Developed economies	Developing economies	Developed economies	Developing economies
All merchandise	4	25	3	13
Industrial products	4	20	3	13
Textiles and clothing	11	24	8	21
Agricultural products ^a	15	60	14	18

Note: ^a Includes tariffied and not-tariffied products.

**TABLE SF2: SUMMARY OF URUGUAY ROUND CONCESSIONS BY DEVELOPED ECONOMIES
AND BY DEVELOPING ECONOMIES**

	All merchandise	Industrial products	Textiles and clothing	All Agricultural products
Bindings, post Uruguay Round – % of imports				
Developed economies	89	92	80	100
Developing economies	91	84	85	100
Uruguay Round Tariff Cuts				
Scope – % of imports				
Developed economies	30	32	53	26
Developing economies	29	33	49	17
Depth – $dT/(1+T)$ as %				
Developed economies	1.0	1.0	1.4	1.5
Developing economies	2.3	2.7	4.1	4.7
Post Uruguay Round average tariffs – percent, ad valorem				
Bound				
Developed economies	4	4	11	15
Developing economies	25	20	24	60
Applied				
Developed economies	3	3	8	13
Developing economies	13	13	21	18

**TABLE SF4: PERCENTAGES OF ANTIDUMPING INITIATIONS, JULY 1996 – JUNE 1998
AGAINST DIFFERENT GROUPS OF ECONOMIES**

Initiating economy	Targeted economy			
	China	Developed	Developing	Transition
Developed economies	19	31	40	11
Developing economies	25	35	24	15

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